Tech Mahindra Limited

(Formerly Mahindra - British Telecom Limited)

Tech Mahindra

IT Services and Telecom Solutions

Annual Report 2005-2006

Tech Mahindra Limited
Formerly Mahindra-British Telecom Limited

Board of Directors

1. Mr. Anand G. Mahindra - Chairman
2. Mr. Vineet Nayyar - Vice-Chairman & Managing Director
3. Mr. Bharat Doshi
4. Mr. Ulhas N. Yargop
5. Mr. Al-Noor Ramji
6. Mr. Arun Seth
7. Hon. Akash Paul
8. Dr. Raj Reddy
9. Mr. Anupam Pradip Puri
10. Mr. Clive Goodwin

Audit Sub - Committee

Mr. Anupam Puri - Chairman
Mr. Bharat Doshi
Mr. Clive Goodwin
Dr. Raj Reddy

Compensation Committee

Hon. Akash Paul - Chairman
Mr. Ulhas N. Yargop
Mr. Clive Goodwin (upto January 16, 2006)
Mr. Arun Seth (From January 16, 2006)

Registered Office

Gateway Building
Apollo Bunder,
Mumbai-400 001

Bankers

IDBI
HSBC Bank
SBI
Kotak Mahindra Bank

Corporate Office

Sharda Centre
Off Karve Road,
Erandwane,
Pune - 411 004

Auditors

Deloitte, Haskins & Sells
Chartered Accountants,
Mumbai

Tech Mahindra

TECH MAHINDRA LIMITED (CONSOLIDATED)
FINANCIAL PERFORMANCE

Particulars	2002		2003		2004		2005		2006	
	Rs Mn	USDMn	Rs Mn	USDMn	Rs Mn	USDMn	Rs Mn	USDMn	Rs Mn	USDMn
Revenue	5,457	112.2	6,214	129.9	7,417	163.4	9,456	210.4	12,427	280.1
Total Income	5,606	115.3	6,419	134.1	7,565	166.7	9,542	212.2	12,767	287.7
EBIDTA (Operating Profit)	1,929	39.6	1,956	40.9	798	17.6	1,350	30.2	2,679	60.20
PBT	1,634	33.6	1,932	40.4	720	15.9	1,115	24.9	2,621	58.9
PAT	1,277	26.2	1,631	34.1	637	14.0	1,024	22.8	2,354	52.9
EBIDTA Margin %	35%	35%	31%	31%	11%	11%	14%	14%	21.6%	21.6%
PAT Margin %	23%	23%	26%	26%	9%	9%	11%	11%	19%	19%
Equity Capital	202	4.15	202	4.2	203	4.5	203	4.65	208	4.66
Net Worth	3,369	69.14	3,792	79.50	4,067	89.8	4,861	111.1	6,155	138.0
Net Block Including CWIP	1,485	30.48	1,431	29.99	1,544	34.1	1,781	40.7	2,898	65.0
Current Assets	2,658	54.6	2,975	62.4	3,228	71.3	3,740	85.4	5,578	125.0
Current Liabilities & Provisions	992	20.36	968	20.3	1,241	27.4	1,906	43.5	3,938	88.3
Net Working Capital	1,666	34.2	2,007	42.1	1,987	43.9	1,834	41.9	1,640	36.8
Total Assets	4,361	89.5	4760	99.8	5,309	117.2	6,767	154.6	10,092	226.2
Current Ratio	2.7	2.7	3.1	3.1	2.6	2.6	2.0	2.0	1.4	1.4
Total Assets Turnover	1.3	1.3	1.3	1.3	1.4	1.4	1.4	1.4	1.2	1.2
Fixed Assets Turnover	3.7	3.7	4.3	4.3	4.8	4.8	5.3	5.3	4.3	4.3
ROCE %	57%	57%	54%	54%	18%	18%	25%	25%	48%	48%

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DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors present their Nineteenth Annual Report together with the audited accounts of your Company for the year ended 31st March 2006.

FINANCIAL RESULTS

(Rupees Mn)

For the year ended March 31	2006	2005
Income	12,284.50	9,295.93
Gross Profit	2,780.24	1,687.42
Depreciation	(373.80)	(315.27)
Profit before tax	2,406.44	1,372.15
Provision for taxation	(205.23)	(142.81)
Profit after tax before non-recurring / exceptional items	2,201.21	1,229.34
Non-recurring / exceptional items	-	(518.42)
Profit for the year after tax and non-recurring / exceptional items	2,201.21	710.92
Balance brought forward from previous years	3,753.58	3,382.71
Profit available for appropriation	5,954.79	4,093.64
Transfer to General Reserve	(230.00)	(88.00)
Dividend Interim paid	(623.32)	(223.20)
Final (proposed)	(415.99)	-
Tax on dividend - On interim dividend	(87.42)	(28.86)
- On final dividend	(58.34)	-
Balance carried forward	4,539.72	3,753.58

DIVIDEND

Your Directors declared four interim dividends for the year under review as under :

Date of declaration	No. of shares	Face value per share (Rs.)	Paid up value per Share (Rs.)	Dividend %	Dividend Per share (Rs.)	Amount (Rs.)	Total Dividend Paid (Rs.)
18th July 2005	102,025,355	2	2	15%	0.30	30,607,606.50	30,607,606.50
17th October 2005	102,355,485	2	2	15%	0.30	30,706,645.50	
	9,931,638	2	0.30	15%	0.045	446,924.00	31,153,569.50
16th January 2006	102,456,065	2	2	30%	0.60	61,473,639.00	
	9,931,638	2	0.30	30%	0.09	893,848.00	62,367,487.00
4th May 2006	102,508,885	2	2	240%	4.80	492,042,648.00	
	9,931,638	2	0.30	240%	0.72	7,150,779.00	499,193,427.00

Your directors have announced a fourth interim dividend of 240% and recommend a final dividend of 200%. This total dividend of 440% includes a one time special dividend of 400%. The final dividend will be paid to those members whose names will appear in the Register of Members on 17th July 2006, being the Record Date fixed for the purpose.

The final dividend will absorb a sum of Rs. 474.33 Mn, including Rs. 58.34 Mn as tax on distributed Profit.

INCREASE IN SHARE CAPITAL

In July 2005, the authorised capital of the Company was increased from Rs. 250,000,000 to Rs. 300,000,000.

Your Company allotted 782,310 shares of Rs. 2 each on the exercise of stock options, issued under the MBT ESOP PLAN 2000 and 9,931,638 partly paid shares to Mahindra-BT Investment Company (Mauritius) Limited. Due to this, the number of issued and subscribed equity shares of your Company increased from 101,726,575 shares to 112,440,523 shares.

BUSINESS PERFORMANCE

Your Company has experienced strong growth in revenues and profits in the year under review.

During the year, your Company's total income grew by 32.15% to Rs.12,284.50 Mn from Rs. 9,295.93 Mn in the previous year. Profit after tax has increased to Rs. 2,201.21 Mn from Rs. 1,229.34 Mn in the previous year, a growth of 79.06%.

The Company witnessed growth in all the geographies it operates in. Your Company's turnover grew by 14%, 225% and 90% in Europe, USA and Rest of the World (ROW) respectively..

BUSINESS OVERVIEW

Your company continues its focus on the telecom sector and has positioned itself as a leader in this space. While strengthening its position within the telecom service provider segment, it has also grown significantly in the telecom equipment manufacturers space and built strong relationships with independent software vendors servicing the telecom sector. In fiscal 2005, your Company was ranked by NASSCOM as the 8th largest Indian IT services company in terms of export revenues.

The global telecommunications industry, driven by an increasing demand for innovative products, value added services and a rapidly evolving technological landscape, is likely to make significant technological investments. Companies will need to refurbish old generation networks and increase spending on development of the next generation of products and services, leading to increased IT spending. Most companies are looking to use offshoring to radically improve the value delivered through their IT spend.

Your Company is now well placed to take advantage of these market opportunities, as it combines deep telecom expertise and enhanced portfolio of services with proven off-shoring capabilities. Your Company services now span a wide range, from applications development and maintenance, solution integration, product lifecycle management and testing to high end, higher value added offerings such as consulting and managed services. Your Company provides these services to its clients in the form of telecommunications specific offerings and through a delivery model which efficiently combines service delivery with domain knowledge.

ACQUISITIONS

In November 2005 your Company entered into an agreement to acquire Axes Technologies (India) Private Limited, which provides technology solutions to leading Telecom Equipment Manufacturers (TEM) in the areas of Research & Development (R&D), Product Engineering and Life Cycle Support.

This is the first acquisition by your Company. This acquisition is complementary to your Company's strong presence and capabilities in the Telecom Service Provider space. Axes capabilities would bridge a gap in the service offerings to the TEM segment of the Telecom market and would be a key growth driver for the organization going forward. Axes has significant telecom product and protocol expertise; has deep rooted client relationships and provides business critical services through their engagements. Axes Technologies has now been renamed as Tech Mahindra (R&D Services) Ltd.

RE-BRANDING TECH MAHINDRA LIMITED

Your Company has been aggressively diversifying its client base across the complete telecom ecosystem. To develop a new identity and to better position itself, your Company changed its name to `Tech Mahindra Limited' effective 3rd February 2006. While BT is a large shareholder and continues to be the largest customer, the changed name reflects your Company's growing client base and capabilities.

QUALITY

Over the years your company refined the process for the delivery of large-scale business critical projects - based on the mature understanding of business drivers, to enable in defining the best solution, ensuring a smooth transition and enabling excellent on-going operations. During this year your Company was assessed at SEI CMMI Level 5 & PCMM Level 5, which are the highest standards of process and quality leadership. The robust service delivery framework mASTER™ coupled with Integrated Business Management System comprising ISO 9001:2000, BS7799 adherent practices has led to high quality results, consistently delivered within time lines and budgets.

HUMAN RESOURCES

Your Company believes that qualified and experienced people are its most important assets and follows policies that aim to attract and retain the best talent with a combination of monetary and non-monetary benefits. Substantial progress has been made in this key facet of operation during the year.

The human asset base was substantially augmented during the year with the Company crossing the 10,000 employee mark. Your Company conducts periodic training programs to enable employees to remain up-to-date with latest developments in relevant technological areas.

It is the endeavor of your Company to preserve top talent and offer an opportunity to its employees to fulfill their career aspirations and to ensure further growth and nurturing of their talent, your Company launched a Career Development Program called 'Mould'. Mould provides a platform to develop employees by using resources such as Training Programs, knowledge repositories and guidance by counselors appointed exclusively to facilitate their career growth and development.

INFRASTRUCTURE

To support its rapid growth, your Company has expanded its footprint with world-class facilities in locations like Kolkata, Noida, Bangalore and Chennai. While most of these facilities are leased, in the next phase of growth the Company proposes to have its own campuses, mainly in Special Economic Zones (SEZs).

SUBSIDIARY COMPANIES

Consequent upon the change of name of the Company, the names of all its subsidiaries were changed to bring them in line with the parent company.

In line with the Company strategy to enlarge its global reach, the Company established a new subsidiary in Thailand namely Tech Mahindra (Thailand) Ltd. (formerly MBT (Thailand) Co. Ltd.).

During the year, your Company made its first acquisition when it acquired Axes Technologies (India) Pvt. Limited, a company providing IT services to telecom equipment manufacturers, along with its subsidiaries in USA and Singapore, namely, Tech Mahindra (R & D Services) Inc. and Tech Mahindra (R & D Services) Pte. Limited, respectively. The acquisition will enable the Company to reach a strategic position in the telecommunications equipment manufacturers segment.

The Company has also recently promoted a non-profit organization named `Tech Mahindra Foundation' under Section 25 of the Companies Act, 1956.

The audited statements of account of the Company's subsidiaries for the year ended 31st March 2006 together with reports of their Directors and the Auditors and the Statement pursuant to section 212 of the Companies Act, 1956 are attached.

EMPLOYEE STOCK OPTION PLAN

The Company has various incentive plans for the employees, one of which is the Employee Stock Option Plan (ESOP).

EMPLOYEE STOCK OPTION PLAN 2000

In order to supplement the available options with the MBT ESOP Trust for further grants, the Compensation Committee of the Board of Directors granted 200,000 options, equivalent to 200,000 equity shares of Rs. 2 each to the Trust. The Trust, on the recommendation of the Compensation Committee, then granted 345,000 options to the employees and / or directors of the Company and the holding company at an exercise price of Rs. 83 per share, as fixed by the Compensation Committee earlier in the year as per report dated 8th July 2005, submitted by M/s Pravin P. Shah & Associates, Chartered Accountants.

EMPLOYEE STOCK OPTION PLAN 2004

While there were no grants under this Scheme during the year, 2,271,078 options vested during the year. None of the options was exercised during the year.

EMPLOYEE STOCK OPTION PLAN 2006

As recommended by the Compensation Committee, the Board, at its meeting held in October 2005, approved the ESOP 2006, which was subsequently approved by the shareholders at their meeting held on 16th January 2006.

Under this plan, the Compensation Committee approved a grant of 4,633,680 options to various employees at an exercise price of Rs. 83 in accordance with the report referred above.

None of the Directors was granted any options during the year under this plan.

ADDRESSING SOCIAL CONCERNS

Your Company, as a responsible corporate entity, believes in discharging its social responsibility towards development of underprivileged in the society. Apart from providing financial support for such activities, it also donates computer hardware to schools and charitable institutions. It encourages its employees to actively participate in social activities.

In order to play a more involved role in this direction, your Company has plans to action various social initiatives through Tech Mahindra Foundation as also through other NGOs. The Company has donated Rs. 150 Mn as Corpus to Tech Mahindra Foundation.

CORPORATE GOVERNANCE PHILOSOPHY

Your Company believes that Corporate Governance is a voluntary code of self-discipline. In line with this philosophy, the Company follows healthy Corporate Governance practices and reports to the shareholders the progress made on the various measures undertaken. Although the Company is not listed on any Stock Exchange, your Directors have been reporting the initiatives on Corporate Governance adopted by your Company. The same is included in the section 'Corporate Governance' in the Annual Report.

DIRECTORS

Mr. Clive Goodwin and Mr. Anupam Puri retire by rotation, and being eligible, offer themselves for re-election.

Mr. Paul Zuckerman was appointed as an independent Additional Director of the Company with effect from 4th May 2006. He holds office upto the date of the forthcoming Annual General Meeting. The Company has received a notice from a member signifying his intention to propose Mr. Zuckerman as candidate for the office of Director.

Mr. Frederick E. Becker resigned as alternate director to Mr. Clive Goodwin effective 4th May 2006. Mr. Paul Ringham has been appointed as the new alternate director in place of Mr. Becker.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to section 217(2AA) of the Companies Act, 1956, your Directors, based on the representation received from the Operating Management, and after due enquiry, confirm that:

i. In the preparation of the annual accounts, the applicable accounting standards have been followed;

ii. they have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable and prudent judgments and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at 31st March 2006 and of the profit of the Company for the year ended on that date;

iii. 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. the annual accounts have been prepared on a going concern basis.

AUDITORS

M/s Deloitte Haskins & Sells, Chartered Accountants, the Auditors of the Company, hold office up to the conclusion of the forthcoming Annual General Meeting of the Company and have given their consent for re-appointment. The shareholders will be required to elect auditors for the current year and fix their remuneration. The Company has received a written confirmation from M/s Deloitte Haskins & Sells to the effect that their appointment, if made, would be in conformity with the limits prescribed in Section 224 of the Companies Act, 1956.The Board recommends the appointment of M/s Deloitte Haskins & Sells as the Auditors of the Company.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

In view of the nature of activities that are being carried on by the Company, Rule 2A and 2B of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, concerning conservation of energy and technology absorption, respectively are not applicable to the Company. The Company is, however, beginning to investigate ways of reducing energy consumption as a commitment to the global environment; this will cover accommodation facilities, communications and transport.

FOREIGN EXCHANGE EARNINGS AND OUTGO

The foreign exchange earnings of your Company during the year were Rs. 11,961.61 Mn (Previous Year Rs. 9,199.70 Mn) while the outgoings were Rs. 4,702.91 Mn (Previous Year Rs 4,247.15 Mn).

PARTICULARS OF EMPLOYEES

As required under Section 217(2A) of the Companies Act, 1956, and the Rules made thereunder, a statement containing particulars of the Company's employees who were in receipt of remuneration of not less than Rs. 2,400,000 during the year ended 31st March 2006, or of not less than Rs. 200,000 per month, if, employed for part of the year, is given in the Annexure to this Report.

The Department of Company Affairs, has amended the Companies (Particulars of Employees) Rules, 1975 to the effect that particulars of employees of companies engaged in Information Technology sector posted and working outside India not being directors or their relatives, drawing more than Rs. 2,400,000 per financial year or Rs. 200,000 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 included in this report does not contain the particulars of employees who are posted and working outside India.

DEPOSITS AND LOAN / ADVANCES

The Company has not accepted any deposits from the public or its employees during the year under review.

The particulars of loans/advances and investment in its own shares by listed companies, their subsidiaries, associates, etc., required to be disclosed in the annual accounts of the company pursuant to Clause 32 of the Listing Agreement with the parent company, Mahindra & Mahindra Limited, are furnished separately.

AWARDS/RECOGNITION

The Company has been rated as the 8th Largest Software exporter in India for fiscal 2005 by NASSCOM. It has also been rated as a leader in 'The Global Outsourcing 100' 2006 by International Association of Outsourcing Professionals (IAOP).

QAI has assessed the Company at People CMM level 5. The People Capability Maturity Model (People CMM) is a framework that helps organizations successfully address their critical people issues. Based on the best current practices in fields such as human resources, knowledge management, and organizational development, the People CMM guides organizations in improving their processes for managing and developing their workforces. With this certification the Company is now in a select group of companies worldwide that are certified at PCMM level 5.

ACKNOWLEDGMENTS

Your Directors gratefully acknowledge the contributions made by the employees towards the success of the Company. Your Directors are also thankful for the co-operation and assistance received from its customers, vendors, bankers, STPI, regulatory and governmental authorities in India and abroad and its shareholders.

For and on behalf of the Board

May 29, 2006

Mumbai

Anand G. Mahindra

Chairman

Particulars of loans / advances and investment in its own shares by listed companies, their subsidiaries, associates, etc., required to be disclosed in the annual accounts of the Company pursuant to Clause 32 of the Listing Agreement with the parent company, Mahindra & Mahindra Limited

Loans and advances in the nature of loans to subsidiaries:

Name of the Company	Balances as on March 31, 2006	Maximum outstanding during the year
Tech Mahindra (Americas) Inc.	USD 5,000,000 (Equivalent to Rs. 223,050,000)	USD 5,000,000 (Equivalent to Rs. 223,050,000)

Loans and advances in the nature of loans to associates, loans and advances in the nature of loans where there is no repayment schedule or repayment beyond seven years or no interest or interest below section 372A of the Companies Act, 1956 and loans and advances in the nature of loans to firms/ companies in which directors are interested - NIL

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PHILOSOPHY

Your Company believes that Corporate Governance is a voluntary code of self-discipline. In line with this philosophy, the Company follows healthy Corporate Governance practices and reports to the shareholders the progress made on the various measures undertaken. Although the Company is not listed on any Stock Exchange, your Directors have been reporting the initiatives on Corporate Governance adopted by your Company.

BOARD OF DIRECTORS

Your Company has a balanced combination of executive, non-executive and independent directors on the Board. The Board comprises of representatives of Mahindra & Mahindra Limited and British Telecommunications plc. and independent directors. The Board is chaired by Mr. Anand Mahindra as Non-Executive Chairman and the number of Independent Directors is more than 1/3rd of the total number of Directors.

The Board meets at least 4 times a year and the maximum gap between two meetings is not more than four months.

During the year 2005-06, five meetings of the Board of Directors were held on 9th May 2005, 16th June 2005, 18th July 2005 , 17th October 2005, and 16th January 2006. These were well attended.

The composition of the Board, the other directorships of the Board members and their attendance for the Board and the Annual General Meeting held during FY 05-06 are as follows :

Name	Category	Directorship in other Companies (*)	Position on Committees		Attendance of Board Meetings	Whether attended last AGM (Yes / No)
			As Chairman	As member		
Mr. Anand G. Mahindra	Non-Executive Chairman	11	NIL	1	5	No
Mr. Vineet Nayyar	Vice Chairman, Managing Director & CEO	6	1	NIL	5	No
Mr. Bharat Doshi	Non-Executive	8	1	4	4	Yes
Mr. Clive Goodwin	Non-Executive	NIL	--	--	3	No
Hon. Akash Paul	Non-Executive, Independent	NIL	--	--	2	No
Mr. Anupam Puri	Non-Executive, Independent	4	NIL	2	3	Yes
Dr. Raj Reddy	Non-Executive, Independent	1	--	--	4	No
Mr. Al-Noor Ramji	Non-Executive	NIL	--	--	4	Yes
Mr. Arun Seth	Non-Executive	NIL	--	--	5	Yes
Mr. Ulhas N. Yargop	Non-Executive	5	2	NIL	5	Yes
Mr. Frederick E. Becker[1]	Alternate to Mr. Clive Goodwin	NIL	NIL	NIL	1	Yes
Mr. Paul Ringham[2]	Alternate to Mr. Clive Goodwin	NA	NA	NA	NA	NA
Mr. Paul Zuckerman[3]	Non-Executive, Independent	NA	NA	NA	NA	NA

(*) This does not include private companies, foreign companies and companies under Section 25 of the Companies Act, 1956

[1] Upto 4th May 2006

[2] Appointed w.e.f. 4th May 2006

[3] Appointed w.e.f. 4th May 2006

AUDIT SUB-COMMITTEE

1. Composition, names of members an Chairman

   The composition of the Audit sub-committee is as follows:

   - Mr. Anupam Puri - Chairman
   - Mr. Bharat Doshi[1]
   - Mr. Clive Goodwin
   - Dr. Raj Reddy
   - Mr. Paul Zuckerman[2]

   [1] Upto 4th May 2006

   [2] From 4th May 2006

2. Meetings and attendance during the year

   Four meetings of the Audit sub-committee were held during the Financial Year 2005-2006. The meetings were held on 9th May 2005 , 18th July 2005 , 17th October 2005 and 16th January 2006.

   The details of the number of Audit Sub-Committee meetings attended by its members are given below:

Name of Director	Number of Audit subcommittee meetings attended
Mr. Anupam Puri	3
Mr. Bharat Doshi	3
Mr. Clive Goodwin	4*
Dr. Raj Reddy	3
Mr. Paul Zuckerman	NA

** One meeting attended by Mr. Frederick E. Becker, Alternate Director*

3. Recommendations of the committee

   All the recommendations of the Audit Sub-committee were accepted by the Board of Directors.

4. Terms of reference

   The Board of Directors had constituted the Audit Sub-committee of the Board by a circular resolution passed on 17th January 1996. The Board reconstituted the Audit Sub-committee on 26th February 1999, 24th August 2000, 26th February 2001, 16th January 2003 and 4th May 2006.

   The terms of reference of the Audit Sub-committee are as follows: -

a) The Committee shall have authority to investigate into any matter or activity within its terms of reference and in relation to items specified under Section 292A of the Companies Act, 1956 or referred to it by the Board.

b) The Committee shall have full access to information contained in the records of the Company and may, if necessary, seek external professional advice.

c) The Committee shall seek information from any employee

d) The Committee shall secure attendance of outsiders with relevant expertise, if considered necessary.

e) The Committee may delegate any of its powers to one or more of its members or the Company Secretary.

f) The recommendations of the Audit Committee on any matter relating to financial management including the Audit Report shall be binding on the Board. However, where such recommendations are not accepted by the Board, the reasons for the same shall be recorded in the Minutes of the Board meeting and communicated to the shareholders.

g) The Committee shall oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.

h) The Committee shall recommend the appointment, dismissal and removal of statutory auditor, fixation of audit fee and also approval for payment for any other services rendered by the auditors.

i) The Committee shall review the performance of statutory auditors including scope of their audit and monitor the extent of their non-audit work.

j) The Committee shall review with management the quarterly, half yearly, annual financial results, annual report and accounts and other financial information including reviewing, with the statutory auditors scope and results of their audits and considering their Management Letter before submission of their reviews to the Board, with special emphasis on

- Any changes in accounting policies and procedures
- Major accounting entries based on exercise of judgment by management
- Qualifications in draft audit report
- Significant adjustments arising out of audit
- The going concern assumption
- Compliance with accounting standards
- Compliance with stock exchange (after listing) and legal requirements concerning financial statements
- Any related party transactions, i.e. transactions of the company of material nature with promoters or management, their subsidiaries or relatives etc. that may have potential conflict with the interest of company at large

k) The Committee shall review with the management, statutory and internal auditors, the adequacy of internal control systems.

l) The Committee shall review the adequacy of internal audit function, including the structure of internal audit department, if any, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.

m) The Committee shall discuss with internal auditors any significant findings and follow up thereon.

n) The Committee shall review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or failure of internal control systems of a material nature and report the matter to the Board.

o) The Committee shall discuss with statutory auditors before the audit commences, the nature and scope of audit as well as have post audit discussion to ascertain any area of concern.

p) The Committee shall review the company's financial and risk management policies.

q) The Committee shall look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of dividend) and creditors.

COMPENSATION (REMUNERATION) COMMITTEE:

1. Composition, name of members and Chairman

The composition of the Committee is as follows:

- Hon. Akash Paul - Chairman
- Mr. Ulhas N. Yargop
- Mr. Clive Goodwin[1]
- Mr. Arun Seth[2]

[1] Upto 16th January 2006

[2] From 16th January 2006

2. Meetings and attendance during the year

Four meetings of the Compensation Committee were held during the Financial Year 2005-2006. The meetings were held on 9th May 2005 , 18th July 2005 , 17th October 2005 , and 16th January 2006

The details of the number of Committee meetings attended by its members are given below:

Name	Number of Compensation committee meetings attended
Hon. Akash Paul	2
Mr. Clive Goodwin	3*
Mr. Arun Seth	1
Mr. Ulhas N. Yargop	4

** One meeting attended by Mr. Frederick E. Becker, Alternate Director*

3. Terms of reference

The Compensation committee was constituted for the purpose of determining the terms and conditions including the remuneration payable to Managing Director of the Company. By a resolution passed on 23rd October 2000, the Board of Directors enlarged the terms of reference of the committee and entrusted it with the following terms of reference, which were originally entrusted to the ESOP Compensation Committee:

a) To take actions arising out of Employee Stock Option Plan 2000 (ESOP 2000)

b) Employee Stock Option Plan Scheme

c) Formation of Trust thereunder

d) Appointment of Trustees of the Trust

GENERAL BODY MEETINGS

The details of the last three Annual General Meetings of the Company are as under:

Year	Venue of AGM	Date	Time
2002-03	Wing 1, Oberoi Estate Gardens, Chandivali, Andheri (E), Mumbai 400 072	July 18, 2003	5.00 pm
2003-04	Oberoi Estate Gardens, Chandivali, Andheri (E), Mumbai 400 072	July 16, 2004	4.30 pm
2004-05	Oberoi Estate Gardens, Chandivali, Andheri (E), Mumbai 400 072	July 19, 2005	2.30 pm

MEANS OF COMMUNICATIONS

As a `Corporate Governance' initiative, the Company has been publishing its Quarterly, Half yearly and Annual results in the business news papers.

GENERAL SHAREHOLDER INFORMATION

A. Forthcoming AGM

The next AGM of the Company will be held on 18th July 2006.

B. Financial Calendar

Tentative schedule	Likely Board Meeting schedule
Financial reporting for the quarter ending June 30, 2006	Second fortnight of July 2006
Financial reporting for the quarter ending September 30, 2006	Second fortnight of October2006
Financial reporting for the quarter ending December 31, 2006	Second fortnight of January 2007
Financial reporting for the quarter ending March 31, 2007	First fortnight of May 2007
Annual General Meeting for the year ending March 31, 2006	Second fortnight of July 2006

C. Record date for the purpose of dividend

The record date to determine the entitlement of shareholders to receive the final dividend as may be declared for the year ended March 2006 will be 17th July 2006.

D. Address for correspondence

Secretarial & Legal Department, Tech Mahindra Limited, Sharda Centre, Erandavane, Pune 411 004, INDIA

FINANCIAL STATEMENTS OF
TECH MAHINDRA LIMITED
CONSOLIDATED & STANDALONE
FOR THE YEAR ENDED MARCH 31, 2006

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2006

	Schedule	As at March 31, 2006 Rupees	As at March 31, 2005 Rupees
I. SOURCES OF FUNDS :			
SHAREHOLDERS' FUNDS:			
Capital	I	207,997,261	203,453,150
Reserves and Surplus	II	5,946,272,090	4,657,979,301
MINORITY INTEREST		356,748	-
	TOTAL	6,154,626,099	4,861,432,451
II.APPLICATION OF FUNDS :			
FIXED ASSETS:	III		
Gross Block		4,579,632,590	2,866,690,576
Less : Depreciation		1,879,763,082	1,156,486,242
Net Block		2,699,869,508	1,710,204,334
Capital Work-in-Progress, including Advances		198,287,676	70,489,653
		2,898,157,184	1,780,693,987
INVESTMENTS	IV	1,504,823,264	1,112,780,387
DEFFERED TAX ASSET (NET)		111,677,939	133,728,512
CURRENT ASSETS, LOANS AND ADVANCES:	V		
Sundry Debtors		4,377,337,724	2,211,684,007
Cash and Bank Balances		759,690,097	1,284,958,022
Loans and Advances		440,664,512	243,300,791
		5,577,692,333	3,739,942,820
Less : CURRENT LIABILITIES AND PROVISIONS :			
Liabilities	VI	1,835,918,392	1,290,229,650
Provisions	VII	2,101,806,229	615,483,605
		3,937,724,621	1,905,713,255
Net Current Assets		1,639,967,712	1,834,229,565
	TOTAL	6,154,626,099	4,861,432,451
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	XI		

As per our attached report of even date

For Deloitte Haskins & Sells

Chartered Accountants

A B Jani
Partner

Mumbai
Dated : May 15, 2006

For Tech Mahindra Limited

Mr. Anand G.Mahindra - Chairman
Mr. Bharat Doshi - Director
Mr. Clive Goodwin - Director
Mr. Anupam Puri - Director
Hon. Akash Paul - Director

New York,
Dated : May 4, 2006

Mr. Vineet Nayyar - Vice Chairman & Managing Director
Mr. Al-Noor Ramji - Director
Dr. Raj Reddy - Director
Mr. Arun Seth - Director
Mr. Ulhas N. Yargop - Director

Mr. Vikrant Gandhe - Asst. Company Secretary

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006

	Schedule	Total March 31, 2006 Rupees	Year ended March 31, 2005 Rupees
INCOME	VIII	12,766,799,101	9,541,898,337
EXPENDITURE :			
Personnel	IX	5,623,718,946	3,976,170,587
Operating and Other Expenses	X	4,124,241,970	4,129,988,032
Depreciation		397,480,714	321,132,074
	TOTAL	10,145,441,630	8,427,290,693
PROFIT BEFORE TAXATION		2,621,357,471	1,114,607,644
Provision for Taxation			
- Current tax [includes provision for wealth tax of Rs. 186,355 (previous year Rs. Nil)]		(207,680,073)	(142,248,589)
- Deferred tax		(24,529,415)	51,540,476
- Fringe benefit tax		(35,390,000)	-
PROFIT BEFORE MINORITY INTEREST		2,353,757,983	1,023,899,531
Minority Interest		(37,782)	-
NET PROFIT FOR THE YEAR		2,353,720,201	1,023,899,531
Balance brought forward from previous year		3,760,456,398	3,076,610,062
Balance available for appropriation		6,114,176,599	4,100,509,593
Interim Dividend - I		(30,607,607)	(121,658,250)
Interim Dividend - II		(31,153,569)	(101,537,765)
Interim Dividend - III		(62,367,487)	-
Interim Dividend - IV		(499,193,427)	-
Final Dividend		(415,994,523)	-
Dividend Tax		(145,764,155)	(28,857,180)
Transfer to General Reserve		(230,000,000)	(88,000,000)
Balance Carried to Balance Sheet	TOTAL	4,699,095,831	3,760,456,398
Earning Per Share (Refer note 12 of Schedule XI)			
- Basic		22.63	10.07
- Diluted		18.32	8.97
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	XI		

As per our attached report of even date

For Deloitte Haskins & Sells

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A B Jani
Partner

Mumbai
Dated : May 15, 2006

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Mr. Vikrant Gandhe - Asst. Company Secretary

CONSOLIDATED CASH FLOW FOR THE YEAR ENDED MARCH 31, 2006

	Rupees	As at March 31, 2006 Rupees	As at March 31, 2005 Rupees
A Cash Flow from operating activities			
Net Profit before taxation		2,621,357,471	1,114,607,644
Adjustments for:			
Depreciation	397,480,714		
	321,132,074		
Loss on sale of Fixed Assets, (net)	4,407,226		3,357,211
Fixed Assets written off	-		47,505
Decrease in fair value of Current Investment	267,194		155,364
Exchange gain (net)	(21,089,447)		(49,546,135)
Currency translation adjustment	(10,099,676)		6,207,680
Dividend from current Investments	(52,950,921)		(16,192,295)
Interest Income	(67,137,674)		(31,561,412)
Profit on Sale of Investments	(14,630,741)		(28,315)
		236,246,675	233,571,677
Operating profit before working capital changes		2,857,604,146	1,348,179,321
Adjustments for:			
Trade and other receivables	(2,038,525,378)		474,543,067
Trade and other payables	543,125,249		558,700,413
		(1,495,400,129)	1,033,243,480
Cash generated from operations		1,362,204,017	2,381,422,801
Direct Taxes	(35,995,558)		25,414,580
		(35,995,558)	25,414,580
Net cash from operating activities		1,326,208,459	2,406,837,381
B Cash flow from investing activities			
Purchase of Fixed assets	(395,054,881)		(549,409,983)
Purchase of Investments	(2,510,736,853)		(1,318,669,769)
Investment in Subsidiary	(499,940)		-
Acquisition of Business	(1,602,143,545)		-
Sale of Investments	2,515,222,709		656,825,066
Sale of Fixed Assets	6,124,355		1,440,134
Interest received	68,827,929		29,931,952
Dividend received	52,950,921		16,192,295
Net cash used in investing activities		(1,865,309,305)	(1,163,690,303)
C Cash flow from financing activities			
Proceeds from issue of Shares (including Securities Premium)	134,281,182		15,941,220
Dividend (including Dividend Tax paid)	(141,537,708)		(412,145,049)
Net cash used in financing activities		(7,256,526)	(396,203,829)
Net increase in cash and cash equivalents (A+B+C)		(546,357,372)	846,943,249
Cash and cash equivalents at the beginning of the year		1,286,706,869	439,763,620
Cash and cash equivalents at the end of the year		740,349,497	1,286,706,869

Notes:

1 Components of cash and cash equivalents include cash, bank balances in current and deposit accounts as disclosed under Schedule V (b) of the accounts.

2 Purchase of fixed assets are stated inclusive of movements of capital work in progress between the commencement and end of the year and are considered as part of investing activity.

	As at March 31, 2006 Rupees	As at March 31, 2005 Rupees
Cash and cash equivalents includes :		
Cash and Bank Balances	759,690,097	1,284,958,022
Unrealised (Gain)/Loss on foreign currency Cash and cash equivalents	(19,340,600)	1,748,847
Total Cash and Cash equivalents	740,349,497	1,286,706,869

For Deloitte Haskins & Sells

Chartered Accountants

A B Jani
Partner

Mumbai
Dated : May 15, 2006

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SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

	As at March 31, 2006 Rupees	As at March 31, 2005 Rupees
Schedule I		
SHARE CAPITAL :		
Authorised :		
150,000,000 (previous year 125,000,000) Equity Shares of Rs. 2/- each	300,000,000	250,000,000
	300,000,000	250,000,000
Issued and Subscribed :		
112,440,523 (previous year 101,726,575) Equity Shares of Rs. 2/- each	224,881,046	203,453,150
Paid up :		
102,508,885 (previous year 101,726,575) Equity Shares of Rs. 2/- each fully paid-up	205,017,770	203,453,150
9,931,638 (previous year Nil) Equity Shares of Rs 2/- each Rs 0.30 paid-up	2,979,491	-
TOTAL	207,997,261	203,453,150

1. Out of the above 57,600,060 [including Nil (previous year 200) held with nominees] Equity Share of Rs. 2/- each fully paid-up are held by Mahindra & Mahindra Ltd., the holding company.
2. The above includes 51,000,100 and 25,000,000 Equity Shares of Rs. 2/- each issued as fully paid-up bonus shares by capitalisation of balance of Profit and Loss Account and General Reserve, respectively.

	Rupees	As at March 31, 2006 Rupees	As at March 31, 2005 Rupees
Schedule II			
RESERVES AND SURPLUS :			
General Reserve :			
As per last Balance Sheet	718,430,284		630,430,284
Add : Transfer from Profit and Loss Account	230,000,000		88,000,000
		948,430,284	718,430,284
Securities Premium :			
As per last Balance Sheet	152,766,273		137,550,093
Add : Received during the year	129,737,071		15,216,180
		282,503,344	152,766,273
Currency Translation Reserve			
As per last Balance Sheet	26,326,346		20,118,666
Addition during the year	(10,099,676)		6,207,680
		16,226,670	26,326,346
Capital Reserve		15,964	-
Balance in Profit and Loss Account		4,699,095,828	3,760,456,398
TOTAL		5,946,272,090	4,657,979,301

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (contd.)

Schedule III
FIXED ASSETS

Description of Assets	GROSS BLOCK					DEPRECIATION					NET BLOCK	
	Cost as at April 01, 2005	Additions on acquisition*	Additions during the year	Deductions during the year	Cost as at March 31, 2006	Up to March 31, 2005	on acquisition *	For the year	Deductions during the year	Upto March 31, 2006	As at March 31, 2006	As at March 31, 2005
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Goodwill on Consolidation	-	-	866,827,792	-	866,827,792	-	-	-	-	-	866,827,792	-
Leased Assets :												
Vehicles (Refer Note 5 of Schedule XI)	81,557,438	-	10,888,880	18,100,864	74,345,454	17,310,768	-	17,078,531	7,095,107	27,294,192	47,051,262	64,246,670
Other Assets :												
Land	-	91,374,785	-	-	91,374,785	-	-	-	-	-	91,374,785	-
Office Building / Premises	1,410,277,810	182,445,917	797,085	-	1,593,520,812	320,881,297	49,592,179	98,062,827	-	468,536,303	1,124,984,509	1,089,396,513
Computers	616,631,804	106,748,491	172,539,737	5,998,661	889,921,371	415,408,082	84,221,174	143,514,736	5,724,198	637,419,794	252,501,577	201,223,722
Plant and Machinery	369,139,360	127,049,687	34,383,329	2,128,128	528,444,248	200,281,198	113,166,314	67,880,616	1,308,200	380,019,928	148,424,320	168,858,162
Furniture and Fixtures	389,084,164	108,432,730	17,140,039	8,751,282	505,905,651	202,604,897	94,743,395	67,259,219	8,758,989	355,848,522	150,057,129	186,479,267
Vehicles		9,156,935	20,135,542	-	29,292,477	-	6,959,558	3,684,785	-	10,644,343	18,648,134	-
Total	2,866,690,576	625,208,545	1,122,712,404	34,978,935	4,579,632,590	1,156,486,242	348,682,620	397,480,714	22,886,494	1,879,763,082	2,699,869,508	1,710,204,334
Previous year	2,189,185,820		690,689,361	13,184,605	2,866,690,576	843,693,992		321,132,074	8,339,824	1,156,486,242		
Capital Work in Progress											198,287,676	70,489,653
											2,898,157,184	1,780,693,987

Note: 1) Fixed assets include certain leased vehicles aggregating to Rs. 44,703,670 (previous year Rs. 74,754,716) on which vendors have a lien.
2) * Refer note 3 of Schedule XI relating to Subsidiaries acquired during the year.

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (contd.)

	Rupees	As at March 31, 2006 Rupees	As at March 31, 2005 Rupees
Schedule IV			
INVESTMENTS (AT COST)			
Trade: In Subsidiary Companies : 49,994 Equity shares (previous year Nil) of Tech Mahindra Foundation of Rs. 10 each fully paid up(Refer note 2 of schedule XI)		499,940	-
Current Investments (at lower of cost and fair value) Non Trade:			
Nil (previous year 101,396.50) units of Rs Ni (previous year Rs.1,001.10) each of Franklin Templeton Mutual Fund- Institutional Income Plan	-		101,508,060
92,347.61 (previous year Nil) units of Rs 1,000.58 each of Franklin Templeton Mutual Fund Weekly Dividend Institutional Plan [Cost Rs. 92,443,267 (previous year Rs. Nil)]	92,401,094		-
38,867.53 (previous year Nil) units of Rs. 1000.20 each of DSP Merrill Lynch - Liquidity Fund	38,875,302		-
100,407.99 (previous year Nil) units of Rs. 1000.00 each of DSP Merrill Lynch - Fixed Term Plan Series B	100,408,363		-
200,000.00 (previous year Nil) units of Rs. 1000.00 each of DSP Merrill Lynch - Fixed Term Plan Series 3c	200,000,000		-
Nil (previous year 4,144,029.86) units of Rs. Nil (previous year Rs. 10.21) each of DSP Merrill Lynch Short Term Fund	-		42,326,321
Nil (previous year 8,116,274.55) units of Rs. Nil (previous year Rs 10.03) each of DSP Merrill Lynch Floating Rate - Weekly Dividend	-		81,429,837
Nil (previous year 4,315,175.02) units of Rs. Nil (previous year Rs. 11.84) each of Prudential ICICI Mutual Fund-Liquid Income Plan	-		51,109,288
Nil (previous year 1,119,449.83) units of Rs. Nil (previous year Rs. 10.85) each of Prudential ICICI Mutual Fund Institutional Short Term Plan	-		12,150,841
4,748,969.47 (previous year 4,748,969.47) units of Rs. 10.53 (previous year Rs.10.53) each of Prudential ICICI Mutual Fund FMP Yearly Growth Plan	50,000,000		50,000,000

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (contd.)

	Rupees	As at March 31, 2006 Rupees	As at March 31, 2005 Rupees
Schedule IV (Cont'd)			
1,665,474.85 (previous year Nil) units of Rs. 10.00 each of Prudential ICICI Mutual Fund Liquid Plan Super Institutional	116,668,816		-
Nil (previous year 9,313,161.61) units of Rs Nil (previous year Rs. 10.81) each of Birla Mutual Fund - Institutional Plan	-		100,705,538
5,000,000.00 (previous year Nil) units of Rs 10.00 each of Birla Mutual Fund - Fixed term growth plan	50,000,000		-
3,071,767.96(previous year Nil) units of Rs 10.02 each of Birla Mutual Fund - Institutional Plan [Cost Rs. 30,810,447 (previous year Rs. Nil)]	30,786,794		-
5,000,000(previous year Nil) units of Rs.10.00 each of HSBC Mutual Fund- Fixed Maturity Plan	50,000,000		-
5,029,509.92 (previous year 6,749,441.71) units of Rs. 10.00 (previous year Rs.10.45) each of HSBC Mutual Fund - Fixed term series Institutional Growth Plan	50,295,099		70,536,265
Nil (previous year 2,696,842.37) units of Rs.Nil (previous year Rs.10.02) each of J M Mutual Fund- Short Term Institutional Plan	-		27,013,492
6,952,192.63 (previous year 5,035,302.57) units of Rs. 10.03 (previous year Rs.10.02) each of J M Mutual Fund- High Liquidity Super Institutional Plan	69,748,080		50,449,649
Nil (previous year 3,034,216.23) units of Rs. Nil (previous year Rs.10.00) each of Kotak Floater Long Term - Weekly Dividend	-		30,353,388
4,098,246.52 (previous year Nil) units of Rs. 10.03 each of Kotak Liquid Institutional Premiun weekly dividend	41,096,908		-
5,000,000 (previous year Nil) units of Rs. 10.00 (previous year Rs. Nil) each of Kotak Mutual Fund -FMP Growth	50,000,000		-
5,214,307.74 (previous year 5,048,809.48) units of Rs. 10.03 (previous year Rs.10.03) each of Kotak Mutual Fund - Liquid Institiutional Weekly Dividend	52,288,682		50,623,936
Nil (previous year 4,032,914.19) units of Rs.Nil (previous year Rs. 10.02) each of Principal Mutual Fund - Floating Rate Fund SMP	-		40,415,043

	Rupees	As at March 31, 2006 Rupees	As at March 31, 2005 Rupees
Schedule IV (Cont'd)			
6,265,066.85 (previous year 1,066,927.90) units of Rs. 10.00 (previous year Rs. 10.04) each of Principal Mutual Fund Liquid Institutional Plan weekly dividend [Cost Rs. 62,701,509 (previous year Rs. 10,712,914)]	62,672,596		10,712,914
Nil (previous year 2,000,000) units of Rs. Nil (Previous year of Rs. 10.00) each of Reliance Mutual Fund-Fixed Term Quarterly Plan Dividend Option	-		20,000,000
5,000,000 (previous year 5,000,000) units of Rs. 10.00 each of Reliance Mutual Fund-FMP	50,000,000		50,000,000
5,000,000 (previous year Nil) units of Rs. 9.99 each of Reliance Fixed Tenor Fund Growth Plan [Cost Rs. 50,000,000 (previous year Rs. Nil)]	49,927,500		-
Nil (previous year 3,310,999.22) units of Rs. Nil (previous year Rs. 15.28) each of Reliance Mutual Fund - Treasury Plan Institutional Option	-		50,586,064
Nil (previous year 2,000,000) units of Rs.Nil (previous year of Rs. 10) each of Reliance Mutual Fund-Growth Plan	-		20,000,000
Nil (previous year 9,507,961.29) units of Rs. Nil (previous year Rs. 10.63) each of HDFC Cash Management Fund Weekly Dividend	-		101,090,809
5,000,000 (previous year 4,409,628.75) units of Rs. 10.00 each (previous year Rs. 11.49) each of Chola Fund Liquid Institutional Plus-Dividend Option	50,000,000		50,676,570
Nil (previous year 9,811,360.90) units of Rs. Nil (previous year Rs.10.30) each of Standard Chartered Mutual Fund Weekly Dividend Plan	-		101,092,372
5,000,000 (previous year Nil) units of Rs. 9.98 each of Grindlays - FMP [Cost Rs. 50,000,000 (previous year Rs. Nil)]	49,900,000		-
4,600,000 (previous year Nil) units of Rs. 10.00 each of TATA Fixed Horizon Fund Series III	46,000,000		-

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (contd.)

	Rupees	As at March 31, 2006 Rupees	As at March 31, 2005 Rupees
Schedule IV (Contd)			
90,695.00 (previous year Nil) units of Rs. 1,135.75 each of TATA Mutual Fund Liquid High Investment fund weekly dividend	103,007,090		-
5,000,000 (previous year Nil) units of Rs. 10.00 each of Sundaram Mutual Fund - FMP	50,000,000		-
5,024,693.83 (previous year Nil) units of Rs. 10.00 each of ABN AMRO Mutual Fund - FMP	50,247,000		-
		1,504,323,324	1,112,780,387
		1,504,323,324	1,112,780,387
TOTAL		1,504,823,264	1,112,780,387

Note :
Refer note 13 of Schedule XI for additional information

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (contd.)

	Rupees	As at March 31, 2006 Rupees	As at March 31, 2005 Rupees
Schedule V CURRENT ASSETS, LOANS AND ADVANCES :			
Current Assets : (a). Sundry Debtors * : (Unsecured) Debts outstanding for a period exceeding six months:			
: considered good**		145,101,029	189,209,996
: considered doubtful		29,227,059	15,099,557
		174,328,088	204,309,553
Other debts, considered good***		4,232,236,695	2,022,474,011
considered doubtful		401,995	2,419,737
		4,406,966,778	2,229,203,301
Less: Provision		29,629,054	17,519,294
		4,377,337,724	2,211,684,007
* Debtors include unbilled revenue of Rs. 437,865,019 (previous year Rs.346,914,306) ** Net of advances of Rs. 63,188,086 (previous year Rs. Nil) pending adjustments with invoices. *** Net of advances of Rs. 29,217,991 (previous year Rs. 1,775,117,870) pending adjustments with invoices.			
(b) Cash and Bank Balances :			
Balance with Scheduled banks :			
(i) In Current accounts	261,954,020		833,933,251
(ii) In Fixed Deposit accounts	359,943,072		451,024,771
Balance with other banks :			
(i) In Current accounts	137,793,005		-
		759,690,097	1,284,958,022
(c). Loans and Advances : (Unsecured)			
Bills of Exchange (considered doubtful)	5,000,000		5,000,000
Less: Provision	5,000,000		5,000,000
		-	
Advances recoverable in cash or in kind or for value to be received........considered good	440,664,512		243,300,791
........considered doubtful	3,758,992		3,758,992
	444,423,504		247,059,783
Less : Provision	3,758,992		3,758,992
		440,664,512	243,300,791
		440,664,512	243,300,791
TOTAL		5,577,692,333	3,739,942,820

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET (contd.)

	As at March 31, 2006 Rupees	As at, March 31, 2005 Rupees
Schedule VI		
CURRENT LIABILITIES :		
Sundry Creditors :		
Total outstanding dues to Small Scale Industrial Undertakings	-	-
Total outstanding dues of Creditors other than Small Scale Industrial Undertakings	1,835,918,392	1,290,229,650
TOTAL	1,835,918,392	1,290,229,650
Schedule VII		
PROVISIONS:		
Provision for taxation (net of payments)	579,912,211	349,598,609
Proposed Dividends	915,187,953	-
Provision for Dividend tax	128,355,110	-
Provision for Gratuity	195,814,001	118,375,000
Provision for Leave Encashment	282,536,954	147,509,996
TOTAL	2,101,806,229	615,483,605

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT (contd.)

	Rupees	Year ended March 31, 2006 Rupees	Year ended March 31, 2005 Rupees
Schedule VIII			
INCOME :			
Income from Services (net)	12,398,572,984		9,423,846,117
[Tax deducted at source Rs. 6,468,139			
(previous year Rs.9,283,236)]			
Management Fees (Net)	28,094,771		32,565,075
		12,426,667,754	9,456,411,192
Interest on :			
Deposits with Banks	65,875,883		30,972,159
[Tax deducted at source Rs. 9,649,693 (previous year Rs. 2,494,297)]			
Others [Tax deducted at source Rs. Nil (previous year Rs.53,839)]	1,261,792		589,253
		67,137,674	31,561,412
Dividend received on current investments (non-trade)		52,950,921	16,220,610
Exchange fluctuation (Net)		152,256,314	13,323,871
Profit on Sale of Current Investment (Net)		14,630,741	28,315
Excess Provisions for earlier years / Sundry Credit Balances Written Back		31,582,315	220,779
Provision for Doubtful Debts/Advances written back		4,549,374	8,502,342
Insurance claim received		179,245	107,312
Miscellaneous Income		16,844,763	15,522,504
TOTAL		12,766,799,101	9,541,898,337
Schedule IX			
PERSONNEL			
Salaries, wages and bonus		4,956,353,722	3,555,215,450
Contribution to Provident and Other Funds		337,337,164	253,907,360
Staff Welfare		330,028,060	167,047,777
TOTAL		5,623,718,946	3,976,170,587

SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT (contd.)

	Rupees	Year ended March 31, 2006 Rupees	Year ended March 31, 2005 Rupees
Schedule X			
OPERATING AND OTHER EXPENSES			
Power		81,870,403	46,987,908
Rent		143,470,350	160,026,515
Rates and taxes		9,472,617	4,559,252
Communication expenses		283,214,175	227,768,973
Travelling expenses [Net of recoveries Rs.12,654,700 (previous year Rs.51,187,284)]		1,816,177,397	2,075,755,247
Recruitment expenses		71,971,334	32,735,064
Hire Charges [includes car lease rentals Rs. 4,102,478 (previous year Rs.6,090,745)]		108,583,870	118,485,525
Sub-contracting costs		763,788,383	799,891,178
Repairs and Maintenance :			
Buildings (including leased premises)	14,408,158		14,689,134
Machinery	35,829,207		22,011,760
Others	35,512,676		19,202,163
		85,750,041	55,903,057
Insurance		34,865,596	24,998,794
Professional fees		112,945,402	132,193,255
Software Packages		141,622,275	80,029,919
Training		91,262,401	71,425,395
Advertising, Marketing and Selling expenses		5,215,153	82,224,380
Commission on Services Income		39,821,048	34,378,472
Loss on sale of fixed assets [Net of write back of leased liability agregating to Rs 1,560,859 (Previous year Rs Nil)]		4,407,226	3,357,211
Excess of cost over fair value of current investments		267,194	155,364
Advances / debts written off		372,599	13,397,660
Provision for Doubtful Debts		16,659,134	14,180,376
Fixed Assets written off		-	47,505
Donations		154,858,594	3,681,840
Miscellaneous expenses *		157,646,778	147,805,142
TOTAL		4,124,241,970	4,129,988,032

* includes Printing and Stationery expenses, Hospitality expenses, Conveyance, etc.

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule XI

Significant Accounting Policies and Notes on Accounts Forming Part of Consolidated Accounts for The Year Ended March 31, 2006

1. Significant accounting policies:

(a) Basis for preparation of accounts:

The accompanying Consolidated Financial Statements of Tech Mahindra Limited (TML) ("the holding company") (formerly known as Mahindra-British Telecom Limited) and its subsidiaries are prepared under the historical cost convention in accordance with the generally accepted accounting principles applicable in India (Indian GAAP), the provisions of the Companies Act, 1956 and the Accounting Standards issued by The Institute of Chartered Accountants of India to the extent possible in the same format as that adopted by the holding company for its separate financial statements.

The financial statements of the subsidiaries used in the consolidation are drawn upto the same reporting date as that of the Holding company namely March 31, 2006.

(b) Principles of consolidation:

The financial statements of the holding company and its subsidiaries have been consolidated on a line by line basis by adding together the book value of like items of assets, liabilities, income, expenses, after eliminating intra-group transactions and any unrealized gain or losses on the balances remaining within the group in accordance with the Accounting Standard - 21 (AS 21) on "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.

The financial statements of the holding company and its subsidiaries have been consolidated using uniform accounting policies for like transaction and others events in similar circumstances.

The excess of cost of investments in the subsidiary company/s over the share of the equity of the subsidiary company/s at the date on which the investment in the subsidiary company/s is made is recognized as 'Goodwill on Consolidation' and is grouped with Fixed Assets in the Consolidated Financial Statements.

Alternatively, where the share of equity in the subsidiary company/s as on the date of investment is in excess of cost of the investment, it is recognized as 'Capital Reserve' and grouped with 'Reserves and Surplus', in the Consolidated Financial Statements.

Minority interest in the net assets of the consolidated subsidiaries consists of the amount of equity attributable to the minority shareholders at the dates on which investments are made in the subsidiary company/s and further movements in their share in the equity, subsequent to the dates of investments.

(c) Use of Estimates:

The preparation of Consolidated Financial Statements, in conformity with the generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reported year. Differences between the actual results and estimates are recognised in the year in which the results are known/materialised.

(d) Assets taken on lease:

Assets taken on finance lease on or after April 1, 2001 are accounted for as fixed assets in accordance with Accounting Standard 19 (AS 19) on "Leases", issued by The Institute of Chartered Accountants of India. Accordingly, the assets have been accounted at fair value. Lease payments are apportioned between finance charge and reduction of outstanding liability. (Refer note 7 below)

(e) Fixed Assets:

Fixed assets are stated at cost less depreciation. Costs comprise of purchase price and attributable costs, if any.

(f) Depreciation on fixed assets:

Depreciation for all fixed assets including for assets taken on lease is computed using the straight-line method based on estimated useful lives. Depreciation is charged on a pro-rata basis for assets purchased or sold during the year. Management's estimate of the useful life of fixed assets is as follows:

Buildings	15 years
Computers	3-5 years
Plant and machinery	3-5 years
Furniture and fixtures	5 years
Vehicles	5 years

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (contd.)

(g) Impairment of Assets

At the end of each year, the company determines whether a provision should be made for impairment loss on fixed assets by considering the indications that an impairment loss may have occurred in accordance with Accounting Standard 28 ''Impairment of Assets'' issued by the Institute of Chartered Accountants of India. Where the recoverable amount of any fixed asset is lower than its carrying amount, a provision for impairment loss on fixed assets is made for the difference.

(h) Investments:

Current investments are carried at lower of cost and fair value. Long term investments are carried at cost. Provision is made to recognise a decline other than temporary in the carrying amount of long term investment.

(i) Revenue recognition:

Revenue from software consists primarily of revenue earned from services performed on 'time and material' basis. The related revenue is recognized as and when services are performed. Income from service is performed by the Company pending receipt of purchase orders from customers, which are invoiced subsequently on receipt thereof, are recognized as unbilled revenue.

The Company also performs time bound fixedprice engagements, under which revenue is recognized using the percentage of completion method of accounting, unless work completed cannot be reasonably estimated.

Dividend income is recognized when the Company's right to receive dividend is established. Interest income is recognized on time proportion basis.

Income from training is recognized over the period of instruction.

(j) Foreign currency transactions:

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of transaction. Monetary items are translated at the year-end rates. The exchange difference between the rate prevailing on the date of transaction and on the date of settlement as also on translation of monetary items at the end of the year, is recognised as income or expense, as the case may be, except where they relate to fixed assets where they are adjusted to the cost of fixed assets.

Any premium or discount arising at the inception of the forward exchange contract is recognized as income or expense over the life of the contract, except in the case where the contract is in connection with purchase of fixed asset, where the same is adjusted to the cost of fixed assets. Exchange difference on a forward exchange contract entered into to hedge the foreign currency risk of a firm commitment is the difference between the foreign currency amount of the contract translated at the exchange rate at the reporting/settlement date and the said amount translated at the later date of inception of the contract / last reporting date.

(k) Translation and Accounting of Financial Statement of Foreign subsidiaries :

The financial statements are translated to Indian Rupees in accordance with the guidance issued by the Institute of Chartered Accountants of India in the background material to AS 21 as follows :

1. All incomes and expenses are translated at the average rate of exchange prevailing during the year
2. Assets and liabilities are translated at the closing rate on the Balance sheet date
3. Share Capital is translated at historical rate
4. The resulting exchange differences are accumulated in currency translation reserve.

(l) Retirement Benefits:

Provision is made for gratuity and encashment of unavailed leave on retirement on the basis of actuarial valuations.

(m) Income taxes:

Tax expense comprises of current tax, deferred tax and fringe benefit tax. Current tax is measured at the amount expected to be paid to/recovered from the tax authorities, using the applicable tax rates. Deferred tax assets and liabilities are recognised for future tax consequences attributable to timing differences between taxable income and accounting income that are capable of reversal in one or more subsequent years and are measured using relevant enacted tax rates. Fringe benefits tax is recognized in accordance with the relevant provisions of the Income-tax Act, 1961 and the Guidance Note on Fringe Benefits Tax issued by the ICAI. Tax on distributed profits payable by Indian Companies in accordance with the provisions of the Income-tax Act, 1961 is disclosed in accordance with the Guidance Note on Accounting for Corporate Dividend Tax issued by the ICAI.

(n) Contingent Liabilities:

These, if any, are disclosed in the notes and accounts. Provision is made in the accounts if it becomes probable that any outflow of resources embodying economic benefits will be required to settle the obligation.

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (contd.)

2. The consolidated financial statements present the consolidated accounts of TML, which consists of the accounts of the holding company and of the following subsidiaries

Name of the Subsidiary company	Country of incorporation	Extent of Holding (%) as on March 31, 2006
Tech Mahindra (Americas) Inc. (Formerly known as MBT International Inc.)	United States of America	100 %
Tech Mahindra GmbH (Formerly known as MBTI GmbH)	Germany	100 %
Tech Mahindra (Singapore) Pte. Ltd. (Formerly known as MBT Software Technologies Pte. Ltd., Singapore)	Singapore	100 %
Tech Mahindra (Thailand) Limited	Thailand	99.99%
Tech Mahindra (R & D Services) Limited (Formerly known as Axes Technologies (India) Private Limited) and its following subsidiaries:	India	99.97%
a) Tech Mahindra (R & D Services) Inc. (Formerly known as Axes Technologies Inc.)	United States of America	99.97%
b) Tech Mahindra (R & D Services) Pte. Ltd., (Formerly known as Axes Technologies (Asia pacific) Pte. Ltd.)	Singapore	99.97%

TML has an investment in a subsidiary company viz. Tech Mahindra Foundation (TMF). TMF has been incorporated primarily for charitable purposes, where in the profits will be applied for promoting its objects. Accordingly, the accounts of TMF are not consolidated in these financial statements, since TML will not derive any economic benefits from its investments in TMF.

3. During the period, vide Share Purchase Agreement dated 15th November, 2005, TML has acquired Tech Mahindra (R&D services) Limited (Formerly known as Axes Technologies (India) Private Limited.) for a initial consideration of Rs. 1,755,060,471 (including stamp duty). As a result, TMRDL and its two wholly owned subsidiaries have become subsidiary / step subsidiaries of the Company with effect from the date of acquisition i.e. 28th November, 2005.

The terms of purchase also provide for payment of contingent consideration to all the selling shareholders, payable over three years and calculated based on achievement of specific targets. The contingent consideration is payable in cash and cannot exceed Rs. 640,780,000. The consideration so payable would be accounted in the books of account in the year of achieving the milestones under the Agreement and payment thereof. Accordingly Rs. 32,828,677 has been provided for during the year.

The excess of the above cost to TML over its share of the equity in TMRDL at the date on which the investment is made aggregating to Rs. 866,827,792 has been recognized as 'Goodwill on Consolidation' and disclosed along with Fixed Assets (Refer Schedule 3).

4. The estimated amount of contracts remaining to be executed on capital account, and not provided for as at March 31, 2006 Rs. 422,300,250 (Previous year: Rs. 92,431,940).

5. Contingent liabilities:

i. Income tax demands disputed in appeal by the Company Rs. 43,206,152 (Previous year Rs. 87,462,656) awaiting decision.

ii. Bank Guarantees outstanding Rs. 114,554,540 (Previous year: Rs. 53,529,879)

iii. Claims from Statutory Authorities (Provident Fund)Rs. 1,500,000 (Previous Year Rs. Nil)

6. Confirmation letters have been sent to the debtors of TML and their balances are subject to reconciliation and consequent adjustments, if any, on receipt of such confirmation.

7. Assets acquired on lease on or after April 1, 2001 :

TML has acquired vehicles on lease, the fair value of which aggregates to Rs. 74,345,454. As per AS-19 on Leases, issued by The Institute of Chartered Accountants of India TML has capitalised the said vehicles at their fair values as the leases are in the nature of finance leases as defined in AS-19. Lease payments are apportioned between finance charge and deduction of outstanding liabilities. The details of lease rentals payable in future are as follows:

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (contd.)

	Not later than 1 year	Later than 1 year not later than 5 years
Minimum Lease rentals payable (Previous year Rs. 22,372,588 and Rs. 33,467,813 respectively)	19,147,044	19,297,314
Present value of Lease rentals payable (Previous year Rs. 20,294,438 and 26,209,591 respectively)	17,368,509	15,466,831

8. As per Accounting Standard 17 on Segment reporting issued by the Institute of Chartered Accountants of India, the Primary Segment of the Company is Geographical by location of customers. The Secondary Segments are identified based on the line of operations. The Accounting principles consistently used in the preparation of the financial statements are also applied to record income and expenditure in individual segments. There are no inter-segment transactions during the year.

The Primary Geographical segments consist of regions of Europe, United States of America (USA) and Rest of the World (ROW). The Secondary Segments consist of services provided in the Telecom sector and other sectors.

A. PRIMARY SEGMENTS				(in Rupees)
For the year ended March 31, 2006	GEOGRAPHICAL SEGMENTS BASED ON LOCATION OF CUSTOMERS			
PARTICULARS	EUROPE	USA	ROW	TOTAL
REVENUES	9,532,247,435	2,226,414,827	668,005,492	12,426,667,754
DIRECT EXPENSES	5,216,237,872	1,594,188,623	586,040,493	7,396,466,988
SEGMENTAL OPERATING INCOME	4,316,009,563	632,226,204	81,965,001	5,030,200,766
UNALLOCABLE EXPENSES				
1. Depreciation				397,480,714
2. Other Unallocable Expenses				2,351,493,928
Total				2,748,974,642
OPERATING INCOME				2,281,226,124
Other Income				340,131,347
NET PROFIT BEFORE TAXES				2,621,357,471
INCOME TAXES				
- Current				(207,680,073)
- Deferred				(24,529,415)
- Fringe Benefit Tax				(35,390,000)
NET PROFIT AFTER TAXES				2,353,757,983

Segregation of assets, liabilities, depreciation and other non-cash expenses into various primary segments has not been done as the assets are used interchangeably between segments and the management is of the view that it is not practical to reasonably allocate liabilities and other non-cash expenses to individual segments and an adhoc allocation will not be meaningful.

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (contd.)

B. SECONDARY SEGMENTS:

Revenues from secondary segments are as under

Sector	Amount in Rs.
Telecom	12,268,248,687
Others	158,419,067
Total	12,426,667,754

Segregation of assets into secondary segments has not been done as the assets are used interchangeably between segments. Consequently the carrying amounts of assets by location of assets is not given.

A. PRIMARY SEGMENTS				(in Rupees)
For the year ended March 31, 2005		GEOGRAPHICAL SEGMENTS BASED ON LOCATION OF CUSTOMERS		
PARTICULARS	EUROPE	USA	ROW	TOTAL
REVENUES	8,415,699,981	659,978,323	380,732,888	9,456,411,192
DIRECT EXPENSES	5,221,822,735	484,595,737	265,805,554	5,972,224,026
SEGMENTAL OPERATING INCOME	3,193,877,246	175,382,586	114,927,334	3,484,187,166
UNALLOCABLE EXPENSES				
1. Depreciation				321,132,074
2. Other Unallocable Expenses				2,133,934,593
Total				2,455,066,667
OPERATING INCOME				1,029,120,499
Other income				85,487,145
NET PROFIT BEFORE TAXES				1,114,607,644
INCOME TAXES				
- Current				(142,248,589)
- Deferred				51,540,476
NET PROFIT AFTER TAXES				1,023,899,531

Segregation of assets, liabilities, depreciation and other non-cash expenses into various primary segments has not been done as the assets are used interchangeably between segments and the management is of the view that it is not practical to reasonably allocate liabilities and other non-cash expenses to individual segments and an adhoc allocation will not be meaningful.

B. SECONDARY SEGMENTS

Revenues from secondary segments are as under

Sector	Amount in Rs.
Telecom	9,456,411,192
Others	-
Total	9,456,411,192

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (contd.)

Segregation of assets into secondary segments has not been done as the assets are used interchangeably between segments. Consequently the carrying amount of assets by location of assets is not given.

9. A) TML has instituted "Employee Stock Option Plan 2000" (ESOP) for its employees and directors. For this purpose it had created a trust viz. TML ESOP trust. In terms of the said Plan, the trust has granted options to the employees and directors in form of warrant which vest at the rate of 33.33% on each successive anniversary of the grant date. The options can be exercised over a period of 5 years from the date of grant. Each warrant carries with it the right to purchase one equity share of TML at the exercise price determined by the trust on the basis of fair value of the equity shares at the time of grant.

The details of the options are as under:

	March 31, 2006	March 31, 2005
Options outstanding at the beginning of the year	2,229,740	1,818,080
Options granted during the year	345,000	832,500
Options lapsed during the year	313,340	58,320
Options cancelled during the year	259,090	-
Options exercised during the year	782,310	362,520
Options outstanding at the end of the year	1,220,000	2,229,740

Out of the options outstanding at the end of the year, 504,300 (Previous year 1,357,380) options have vested, which have not been exercised.

B) During the year, TML has instituted "Employee Stock Option Plan 2004" (ESOP 2004) for its employees. In terms of the said Plan, the Compensation Committee has granted options to employees of TML and its subsidiary companies. The options are divided into upfront options and Performance options. The Upfront Options are divided into three sets which will entitle holders to subscribe to option shares at the end of First year, Second year and Third year. The vesting of the Performance Options will be decided by the Compensation Committee based on the performance of employees.

Options granted and outstanding at the end of the period are 10,219,860 (Previous year 10,219,860).

2,271,078 (Previous year Nil) options have vested as at the end of the year.

C) During the year, TML has instituted "Employee Stock Option Plan 2006 " (ESOP 2006) for the employees and directors of TML and its subsidiary companies. In terms of the said plan, the compensation committee has granted options to the employees of the Company. The vesting of the options is 10% , 15%, 20%, 25%,and 30 % of total options granted after 12, 24, 36, 48 and 60 months, respectively from the date of grant. The maximum exercise period is 7 years from the date of grant.

The details of the options are as under:

	March 31, 2006
Options outstanding at the beginning of the year	-
Options granted during the year	4,633,680
Options lapsed during the year	-
Options cancelled during the year	21,300
Options exercised during the year	-
Options outstanding at the end of the year	4,612,380
Weighted average share price of the above options on the date of the exercise	Rs. 83

Out of the options outstanding at the end of the year, none of the options have vested.

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (contd.)

D) TML uses the intrinsic value-based method of accounting for stock options granted after April 1, 2005. TML has accounted for the ESOPs based on Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. Had the compensation cost for TML stock based compensation plan been determined in the manner consistent with the fair value approach as described in the Guidance note, TML's net income would be lower by Rs 36,942 and earnings per share as reported would be lower as indicated below:

Net profit	Rupees
As Reported	2,353,720,201
Less: Total stock-based employee compensation expense determined under fair value base method.	36,942
Adjusted net profit	2,353,683,259
Basic earnings per share	
- As reported	22.63
- Adjusted	22.63
Diluted earnings per share	
- As reported	18.32
- Adjusted	18.32
The fair value of each warrant is estimated on the date of grant based on the following assumptions:	
Dividend yield (%)	6.89
Expected life	5 years
Risk free interest rate (%)	7.12
Volatility	-

10. As required under Accounting Standard 18 (AS 18) on ''Related Party Disclosures'', following are details of transactions during the year with the related parties of TML as defined in AS 18:

(a) List of Related Parties and Relationships

Name of Related Party	Relation
Mahindra & Mahindra Limited	Holding Company
British Telecommunications, plc.	Promoter holding more than 20% stake
Mahindra-BT Investment Company (Mauritius) Ltd.	Promoter Group Company
Tech Mahindra Foundation	99.98% Subsidiary Company
Mahindra Engineering and Chemical Products Limited	Fellow Subsidiary Company
Mahindra Engineering Design and Development Company Limited	Fellow Subsidiary Company
Bristlecone India Limited	Fellow Subsidiary Company
Mahindra & Mahindra Contech Limited	Fellow Subsidiary Company
Mr. Robert John Heller*	Key Management Personnel
Executive Director and Chief Executive Officer	
Mr. Vineet Nayyar*	Key Management personnel
Vice Chairman and Managing Director	

**for part of the previous year*

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (contd.)

(b) Related Party Transactions :

Transactions	Promoter Companies	Subsidiary Company	Fellow subsidiary Companies	Key Management Personnel
	Rupees	Rupees	Rupees	Rupees
Reimbursement of Expenses (Net)-Paid/ (Receipt)	(83,406,400) [(43,642,006)]	- [-]	25,499,644 [119,746]	- [-]
Income from Services & Management Fees	8,545,278,618 [7,933,535,493]	- [-]	3,735,227 [1,525,000]	- [-]
Sub-contracting cost	- [-]	- [-]	- [5,841,954]	- [-]
Dividend Paid	122,604,006 [363,789,702]	- [-]	- [-]	- [152,652]
Investment	- [-]	499,940 [-]	- [-]	- [-]
Donations	- [-]	150,000,000 [-]	- [-]	- [-]
Salary and Perquisites	- [-]	- [-]	- [-]	17,102,700 [8,188,440]
Debit / (Credit) balances (Net) outstanding as on March 31, 2006	3,031,737,577 [1,707,318,367]	- [-]	(5,278,085) [(908,470)]	- [-]

(Figures in brackets "[ ]"are for the previous year)

Out of the above items transactions with Promoter companies, Subsidiary Companies and Key Management Personnel in the excess of 10% of the total related party transactions are as under:

		(Amount in Rupees)
Transactions	For the year ended March 31, 2006	For the year ended March 31,2005
Reimbursement of Expenses (net) - Paid / (Receipt)		
Promoter Companies		
- British Telecommunications plc.	(87,292,381)	(51,069,289)
Income from Services		
Promoter Companies		
- British Telecommunications plc.	8,529,065,460	7,949,298,612

**for part of the previous year*

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (contd.)

			(Amount in Rupees)
Transactions		For the year ended March 31, 2006	For the year ended March 31,2005
Dividend Paid			
Promoter Companies			
- Mahindra & Mahindra Ltd.	69,120,072		207,360,216
- British Telecommunications plc.	52,143,163		156,429,486
		121,263,235	363,789,702
Salary and Perquisites			
Key Management Personnel			
- Mr. Robert John Helleur*	-		4,846,288
- Mr. Vineet Nayyar*	17,102,700		3,342,152
		17,102,700	8,188,440

for part of the previous year

Other related parties of TML are as under:

- Automartindia Limited
- Bristlecone Ltd. Cayman
- Bristlecone Inc.
- Mahindra Gesco Developers Ltd
- Mahindra Acres and Consulting Engineers Ltd
- Mahindra Ashtech Ltd
- Mahindra Automotive Steels Pvt. Ltd
- Bristlecone India Ltd.
- Bristlecone GmbH
- Bristlecone Singapore Pte. Ltd.
- Mahindra (China) Tractor Company Ltd.
- Mahindra Engg & Chem Products Ltd.
- Mahindra Engineering Design & Development Company Ltd.
- Mahindra Europe s.r.l.
- Mahindra Gujarat Tractor Ltd.
- Mahindra Holdings & Finance Ltd.
- Mahindra Holidays & Resorts India Ltd.
- Mahindra Holidays & Resorts (USA) Inc.
- Mahindra Insurance Brokers Ltd.
- Mahindra Infrastructure Developers Ltd.
- Mahindra Intertrade Ltd.
- Bristlecone UK Ltd.
- Mahindra International Ltd.
- Mahindra World City Developers Ltd.
- Mahindra Logisoft Business Solutions Ltd.
- Mahindra Middleeast Electrical Steel Service Centre (FZE)
- Mahindra & Mahindra Financial Services Ltd.
- Mahindra & Mahindra South Africa (Pty) Ltd.
- Mahindra Overseas Investment Company (Mauritius) Ltd.
- Mahindra Realty Ltd.
- Mahindra Renault Pvt. Ltd.
- Mahindra Steel Service Centre Ltd.
- Mahindra Shubhlabh Services Ltd.
- Mahindra SAR Transmission Pvt Ltd.
- Mahindra USA Inc.
- Mahindra Ugine Steel Company Ltd.
- Mahindra World City (Jaipur) Ltd.
- NBS International Ltd.
- Tech Mahindra (R & D Services) Inc
- Tech Mahindra (R & D Services) Pte Ltd.
- Stokes Group Limited
- Jensand Limited
- Stokes Forgings Dudley Limited
- Stokes Forgings Limited Plexion
- Technologies (India) Private limited
- Plexion Technologies (UK) Limited
- Plexion Technologies GmbH
- Plexion Technologies Incorporated
- Tech Mahindra Foundation
- Mahindra Inframan Water Utilities Pvt. Ltd.
- Mahindra Sona Ltd.
- Mahindra Water Utilities Ltd.
- PSL Erickson Ltd.
- Owens Corning (India) Ltd.
- Siroplast Ltd.
- Mahindra Construction Company Ltd.
- Officemartindia.com Ltd.
- Rathna Bhoomi Enterprises Pvt. Ltd.
- Kota Farm Services Ltd.
- Mriyalguda Farm Solution Ltd.
- Mega One Stop Farm Services Ltd.

There have been no transactions with the aforesaid companies during the year.

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (contd.)

11. The tax effect of significant timing differences that has resulted in deferred tax assets and liabilities are given below:

Deferred Tax	March 31, 2006 Rupees	March 31, 2005 Rupees
a) Deferred tax liability:		
Depreciation	(1,435,453)	(1,226,029)
b) Deferred tax asset :		
Gratuity, Leave Encashment etc.	5,771,675	2,899,302
Doubtful Debts	532,440	334,107
Carry forward of Net operating losses of a subsidiary	106,809,277	131,721,132
Total Deferred Tax Asset (Net)	111,677,939	133,728,512

Tech Mahindra (Americas) Inc. has net operating losses aggregating to Rs. 255,247,129 which are available to be carried forward. As stated in the audited financials of Tech Mahindra (Americas) Inc., Tech Mahindra (Americas) Inc. expects to be able to utilize the entire deferred tax benefit on the said losses.

12. Exchange gain/(loss)(net) accounted during the year:

a) TML enters into foreign exchange forward contracts to offset the foreign currency risk arising from the amounts denominated in currencies other than the Indian rupee. The counter party to TML's foreign currency forward contracts is generally a bank. These contracts are entered into to hedge the foreign currency risks of firm commitments.

b) The following are the outstanding Forward Exchange Contracts entered into by TML as on 31st March, 2006:

Currency	Amount outstanding at year end in Foreign currency	Amount outstanding at year end in Rs.	Exposure to Buy/Sell
US Dollar	100,489,700	4,482,845,517	Sell
UK Pound	15,000,000	1,162,500,000	Sell

c) The year end foreign currency exposures that have not been specifically hedged by a derivative instrument or otherwise are given below:

Amounts receivable in foreign currency on account of the following:

	In Rupees	In foreign currency
Debtors	Rs. 2,814,528,306	Aud 683,965 Eur 1,562,766 Gbp 34,825,858 Nzd 198,272 Sgd 604,510
Loans and advances	Rs. 113,073,519	Gbp 1,432,401 Thb 186,500 Dhr 75,804 Eur 4,190 Aud 20,889
Cash/Bank balances (Net)	Rs. 31,372,790	Aud 772,810 Nzd 236,419 Twd 136,700

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (contd.)

Amounts payable in foreign currency on account of the following:

	In Rupees	In foreign currency
Creditors (Net)	Rs. 468,476,302	Eur 1,063,457 Gbp 420,755 Sgd 617,040 Usd 8,113,114
Other current liabilities (Net)	Rs. 117,312,888	Gbp 1,513,715

d) The amount of exchange difference in respect of forward exchange contracts to be recognized in the profit and loss account for subsequent accounting year aggregates to Rs. 51,402,677 (Gain) (previous year 2,112,765)

e) Exchange gain/(loss)(net) accounted during the year:

Particulars	2006 In Rupees	2005 In Rupees
Income from services	(68,509,521)	(2,799,680)
Others	148,030,658	13,323,871

The disclosures made in paragraphs (b) and (c) have been made consequent to an announcement by the Institute of Chartered Accountants of India in December, 2005, which is applicable to the financial periods ending on or after 31st March, 2006. Therefore, figures for the previous year have not been disclosed.

13. Earning Per Share is calculated as follows:

		2006 Rupees	2005 Rupees
a.	Net Profit after tax	2,353,757,983	1,023,899,531
	Less: Minority Interest	37,782	-
	Net profit attributable to shareholders	2,353,720,201	1,023,899,531
b.	Weighted average number of Equity Shares		
	Basic	103,998,631	101,726,575
	Add: ESOPs outstanding at the end of the year	16,052,240	12,449,600
	Partly paid-up shares not entitled for dividend	8,441,892	-
	Diluted	128,492,763	114,176,175
c.	Nominal value of equity share	Rs. 2	Rs. 2

14. Details of Investments Purchased and Sold during the year by TML

Particulars	March 31, 2006 Units	March 31, 2006 Cost
TEMPLETON MUTUAL FUND		
Short Term Income Plan Monthly	87,993.54	90,000,000.00
DSP MERRILL LYNCH		
Short Term Fund Dividend	4,791,291.35	50,000,000.00
Short Term Fund Monthly Dividend	9,145,199.02	94,430,581.53
PRUDENTIAL ICICI MUTUAL		
Short Term Dividend Plan	4,553,360.84	50,000,000.00
Short Term Cumulative Plan	3,917,942.61	50,000,000.00
Liquid Institutional Plan Plus	8,428,718.33	100,000,000.00

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (contd.)

Particulars	March 31, 2006 Units	March 31, 2006 Cost
BIRLA SUNLIFE MUTUAL INSTITUTIONAL PLAN		
Institutional Premium Weekly Dividend	10,067,379.91	100,941,591.45
Birla Bond Plus Institutional (Fortnightly Dividend)	2,864,891.71	30,000,000.00
HSBC MUTUAL FUND		
HSBC Income Fund Short Term Institutional Dividend	4,652,764.21	50,000,000.00
DEUTSCHE MUTUAL FUND		
Institutional Plan Weekly Dividend Plan	4,981,419.31	50,000,000.00
JM MUTUAL FUND		
Short Term Fund-Institutional Plan-Dividend	3,904,076.83	40,000,000.00
High Liquidity Fund- Super Institutional Plan-Weekly Dividend	10,126,163.18	101,567,780.87
Short Term Fund-Institutional Plan-Growth	4,423,760.91	50,000,000.00
KOTAK MUTUAL FUND		
Liquid Institutional Premium - Weekly Dividend	4,982,163.85	50,000,000.00
Kotak Bond Short Term Growth	4,153,479.37	50,000,000.00
Kotak Bond Short Term Monthly Dividend	3,975,036.77	40,000,000.00
PRINCIPAL MUTUAL FUNDS		
Institutional Plan - Dividend reinvestment monthly	4,963,173.25	50,000,000.00
RELIANCE MUTUAL FUND		
Reliance Short Term - Growth Plan	4,289,231.46	50,000,000.00
Reliance Treasury Plan Retail Option Weekly Dividend	4,968,128.58	51,385,850.70
HDFC Cash Management Fund Weekly Dividend	4,701,899.57	50,000,000.00
Chola Liquid Institutional Plus Weekly Dividend	4,274,271.45	50,000,000.00
ING Vysya Liquid Fund Institutional -Weekly Dividend	4,984,100.72	50,000,000.00
Tata Short term Bond Fund Dividend	9,184,048.92	10,000,000.00

15. Previous year's figures have been regrouped wherever necessary, to conform to the current year's classification.

Signatures to Schedules I to XI
As per our attached report of even date

For Tech Mahindra Limited

For Deloitte Haskins & Sells
Chartered Accountants

A B Jani
Partner

Mumbai
Dated : May 15, 2006

Mr. Anand G.Mahindra - Chairman
Mr. Bharat Doshi - Director
Mr. Clive Goodwin - Director
Mr. Anupam Puri - Director
Hon. Akash Paul - Director

New York,
Dated : May 4, 2006

Mr. Vineet Nayyar - Vice Chairman & Managing Director
Mr. Al-Noor Ramji - Director
Dr. Raj Reddy - Director
Mr. Arun Seth - Director
Mr. Ulhas N. Yargop - Director

Mr. Vikrant Gandhe - Asst. Company Secretary

AUDITOR'S REPORT

To the Members of Tech Mahindra Limited (Formerly known as Mahindra-British Telecom Limited)

1. We have audited the attached Balance sheet of Tech Mahindra Limited (Formerly known as Mahindra-British Telecom Limited) as at 31st March 2006, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

3. As required by Companies (Auditor's Report) Order, 2003 issued by the Central Government in terms of section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

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 purposes of our audit;

   b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of the books;

   c) The Balance sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

   d) In our opinion, the Balance sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

   e) On the basis of written representations received from the directors as on 31st March, 2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2006 from being appointed as a director in terms of clause (g) of sub- section (1) of section 274 of the Companies Act, 1956.

   f) In our opinion and to the best of our information, and according to the explanations given to us, the said accounts read with the Significant Accounting Policies and notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in confirmity with the accounting principles generally accepted in India.

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

      ii) in case of the Profit and Loss Account, of the profit for the year ended on that date; and

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

For Deloitte Haskins & Sells
Chartered Accountants

A B Jani
Partner
Membership No. 46488

Mumbai
Dated : May 15, 2006

ANNEXURE TO THE AUDITOR'S REPORT

Re: Tech Mahindra Limited (Formerly known as Mahindra-British Telecom Limited)

(Referred to in Paragraph 3 of our report of even date)

i) The nature of the Company's activities are such that clauses (xiii) and (xiv) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company for the year.

ii) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

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

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

iii) The activities of the Company and the nature of its business do not involve use of inventory. Accordingly, clause (ii) of the Companies (Auditor's Report) Order, 2003 is not applicable

iv) (a) The Company has granted unsecured loan to one of its subsidiary companies covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year and the year-end balance of loan granted was Rs.223,050,000/-.

(b) In our opinion, the rate of interest and other terms and conditions of such loan are not, prima facie, prejudicial to the interest of the Company.

(c) As per the terms of the contract the principal amounts and interest amounts are not due for re-payment as at the year-end and accordingly clause (d) of clause (iii) is not

Applicable.

(d) There are no loans taken from Companies covered in the register maintained under Section 301 of the Companies Act, 1956 and hence clause (e), (f), (g) and (h) of clause (iii) are not applicable to the Company.

v) In our opinion, and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and nature of its business with regard to purchase of fixed assets and sale of services. During the course of our audit we have not observed any continuing failure to correct major weaknesses in the internal control system.

vi) (a) According to the information and explanations given to us, we are of the opinion that the particulars of contracts/arrangements that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.

(b) According to the information and explanations given to us, where transactions in pursuance of such contracts/arrangements are in excess of Rs. 5 lakhs in respect of any party during the year, these are at prices determined in negotiations with the said parties and are prima facie reasonable having regard to prevailing market prices where such market prices are available with the Company.

vii) The Company has not accepted any deposits from the public.

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

ix) According to the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act. Therefore the provisions of clause (viii) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.

x) According to information and explanations given to us in respect of statutory and other dues:

(a) The company has generally been regular in depositing undisputed statutory dues in respect of Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth tax, Service tax, Custom duty, cess and any other material statutory dues with the appropriate authorities during the year.

(b) According to information and explanation given to us there are no dues of Sales tax / Income-tax / Customs duty / wealth tax / Service tax/ excise duty and cess, which have not been deposited with the appropriate authorities on account of any dispute, except in case of income-tax which is as detailed below:

Forum where dispute is pending	Nature of dues	Amount (Rs.)	Financial Year to which amount relates
Income tax appellant tribunal	Corporate tax	17,117,248/-	1998-1999
Income tax appellant tribunal	Corporate tax	13,514,013/-	1999-2000
Deputy commissioner of Income tax appeals	Corporate	12,024,891/-	2000-2001
Total		42,656,152/-	

Xi) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current year and in the immediately preceding financial year.

xii) According to information and explanations given to us, there are no dues payable to a financial institution or bank or debenture holders.

xiii) According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.

xiv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

xv) According to the information and explanations given to us, there are no term loans obtained by the Company.

xvi) According to information and explanations given to us an on an overall examination of the balance sheet of the Company, funds raised on short term basis have, prima facie, not been used during the year for long term investment.

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

xviii) The Company has not issued any debentures during the year.

xix) The Company has not raised funds by way of public issues during the year.

xx) According to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For Deloitte Haskins & Sells
Chartered Accountants

A B Jani
Partner
Membership No. 46488

Mumbai
Dated : May 15, 2006

BALANCE SHEET AS AT MARCH 31, 2006

	Schedule	As at March 31, 2006 Rupees	As at March 31, 2005 Rupees
I. SOURCES OF FUNDS :			
SHAREHOLDERS' FUNDS:			
Capital	I	207,997,261	203,453,150
Reserves and Surplus	II	5,770,647,929	4,624,778,688
	TOTAL	5,978,645,190	4,828,231,838
II. APPLICATION OF FUNDS :			
FIXED ASSETS:	III		
Gross Block		3,069,549,614	2,841,185,187
Less : Depreciation		1,501,590,748	1,140,672,013
Net Block		1,567,958,866	1,700,513,174
Capital Work-in-Progress, including Advances		193,315,116	70,489,653
		1,761,273,982	1,771,002,827
INVESTMENTS	IV	2,947,512,505	1,149,347,396
DEFFERED TAX ASSET (NET)		4,868,662	2,007,380
CURRENT ASSETS, LOANS AND ADVANCES:	V		
Sundry Debtors		4,127,568,931	2,174,167,977
Cash and Bank Balances		515,830,084	1,221,740,574
Loans and Advances		600,738,771	233,998,494
		5,244,137,786	3,629,907,045
Less : CURRENT LIABILITIES AND PROVISIONS:			
Liabilities	VI	1,957,671,077	1,117,684,188
Provisions	VII	2,021,476,668	606,348,622
		3,979,147,745	1,724,032,810
Net Current Assets		1,264,990,041	1,905,874,235
	TOTAL	5,978,645,190	4,828,231,838
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	XI		

As per our attached report of even date

For Deloitte Haskins & Sells
Chartered Accountants

A B Jani
Partner

Mumbai
Dated : May 15, 2006

For Tech Mahindra Limited

Mr. Anand G.Mahindra - Chairman
Mr. Bharat Doshi - Director
Mr. Clive Goodwin - Director
Mr. Anupam Puri - Director
Hon. Akash Paul - Director

New York,
Dated : May 4, 2006

Mr. Vineet Nayyar - Vice Chairman & Managing Director
Mr. Al-Noor Ramji - Director
Dr. Raj Reddy - Director
Mr. Arun Seth - Director
Mr. Ulhas N. Yargop - Director

Mr. Vikrant Gandhe - Asst. Company Secretary

Tech Mahindra

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006

	Schedule	Year ended March 31,2006 Rupees	Year ended March 31,2005 Rupees
INCOME	VIII	12,284,497,216	9,295,929,886
EXPENDITURE :			
Personnel	IX	4,675,754,883	3,537,255,987
Operating and Other Expenses	X	4,828,499,788	4,071,256,731
Depreciation		373,803,612	315,269,326
	TOTAL	9,878,058,283	7,923,782,044
PROFIT BEFORE TAXATION AND NON -RECURRING/ EXCEPTIONAL ITEMS		2,406,438,933	1,372,147,842
Provision for Taxation (Refer note 17 of Schedule XI)			
- Current tax [includes provision for wealth tax of Rs 186,355 (previous year Rs. Nil)]		(175,087,277)	(142,248,589)
- Deferred tax		2,861,282	(558,938)
- Fringe benefit tax		(33,000,000)	-
PROFIT AFTER TAXATION AND BEFORE NON - RECURRING / EXCEPTIONAL ITEMS		2,201,212,938	1,229,340,315
Non - recurring / exceptional items (Refer note 6 of schedule XI) (Net of tax Rs Nil)		-	518,418,278
PROFIT FOR THE YEAR AFTER TAXATION AND NON-RECURRING/ EXCEPTIONAL ITEMS		2,201,212,938	710,922,037
Balance brought forward from previous year		3,753,582,131	3,382,713,289
Balance available for appropriation		5,954,795,069	4,093,635,326
Interim Dividend - I		(30,607,607)	(121,658,250)
Interim Dividend - II		(31,153,569)	(101,537,765)
Interim Dividend - III		(62,367,487)	-
Interim Dividend - IV		(499,193,427)	-
Final Dividend		(415,994,523)	-
Dividend Tax		(145,764,155)	(28,857,180)
Transfer to General Reserve		(230,000,000)	(88,000,000)
Balance Carried to Balance Sheet	TOTAL	4,539,714,301	3,753,582,131
Earning Per Share (Refer note 19 of Schedule XI)			
- Basic		21.17	6.99
- Diluted		17.13	6.23
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	XI		

As per our attached report of even date

For Deloitte Haskins & Sells
Chartered Accountants

A B Jani
Partner

Mumbai
Dated : May 15, 2006

For Tech Mahindra Limited

Mr. Anand G.Mahindra - Chairman
Mr. Bharat Doshi - Director
Mr. Clive Goodwin - Director
Mr. Anupam Puri - Director
Hon. Akash Paul - Director

Mr. Vineet Nayyar - Vice Chairman & Managing Director
Mr. Al-Noor Ramji - Director
Dr. Raj Reddy - Director
Mr. Arun Seth - Director
Mr. Ulhas N. Yargop - Director

New York,
Dated : May 4, 2006

Mr. Vikrant Gandhe - Asst. Company Secretary

CASH FLOW FOR THE YEAR ENDED MARCH 31, 2006

Particulars	Rupees	Current Year Rupees	Previous Year Rupees
A. Cash Flow from operating activities			
Net Profit before taxation and non-recurring /exceptional items		2,406,438,933	1,372,147,842
Adjustments for:			
Depreciation	373,803,612		315,269,326
Loss on sale of Fixed Assets, (net)	4,055,980		3,174,459
Fixed Assets written off	-		47,505
Decrease in fair value of Current Investment	267,194		155,364
Exchange gain (net)	(21,089,447)		(49,546,136)
Dividend from current Investments	(47,097,620)		(16,192,295)
Interest Income	(69,992,839)		(30,848,248)
Profit on Sale of Investments	(11,200,264)		(28,315)
		228,746,616	222,031,660
Operating profit before working capital changes		2,635,185,549	1,594,179,502
Adjustments for:			
Trade and other receivables	(2,321,831,478)		497,103,502
Trade and other payables	1,022,474,692		494,791,062
		(1,299,356,786)	991,894,564
Cash generated from operations		1,335,828,763	2,586,074,066
Direct Taxes	(1,084,434)		(26,684,089)
		(1,084,434)	(26,684,089)
Net cash from operating activities		1,334,744,329	2,559,389,977
B. Cash flow from investing activities			
Purchase of Fixed assets	(391,983,614)		(546,608,653)
Purchase of Investments	(2,507,118,434)		(1,318,669,769)
Acquisition / Investments in Subsidiaries	(1,791,905,837)		(120,691,875)
(Refer note 4 of schedule XI)			
Sale of Investments	2,511,792,232		656,825,066
Sale of Fixed Assets	5,947,199		1,239,951
Interest received	71,683,094		29,218,788
Dividend on current investments received	47,097,620		16,192,295
Net cash used in / from investing activities		(2,054,487,740)	(1,282,494,197)
C. Cash flow from financing activities			
Proceeds from issue of Shares (including Securities Premium)	134,281,182		15,941,220
Dividend (including Dividend Tax paid)	(141,537,708)		(412,145,049)
Net cash from financing activities		(7,256,526)	(396,203,829)
Net (decrease)/increase in cash and cash equivalents (A+B+C)		(726,999,937)	880,691,951
Cash and cash equivalents at the beginning of the period		1,223,489,421	342,797,470
Cash and cash equivalents at the end of the period		496,489,484	1,223,489,421

CASH FLOW FOR THE YEAR ENDED MARCH 31, 2006 (contd.)

Notes:

1. Components of cash and cash equivalents include cash, bank balances in current and deposit accounts as disclosed under Schedule V(b) of the accounts.
2. Purchase of fixed assets are stated inclusive of movements of capital work in progress between the commencement and end of the period and are considered as part of investing activity.

	March 31, 2006 Rupees	March 31,2005 Rupees
3. Cash and cash equivalents include :		
Cash and Bank Balances	515,830,084	1,221,740,574
Unrealised (gain)/loss on foreign currency Cash and cash equivalents	(19,340,600)	1,748,847
Total Cash and Cash equivalents	496,489,484	1,223,489,421

As per our attached report of even date

For Deloitte Haskins & Sells
Chartered Accountants

A B Jani
Partner

Mumbai
Dated : May 15, 2006

For Tech Mahindra Limited

Mr. Anand G.Mahindra - Chairman
Mr. Bharat Doshi - Director
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Dr. Raj Reddy - Director
Mr. Arun Seth - Director
Mr. Ulhas N. Yargop - Director

New York,
Dated : May 4, 2006

Mr. Vikrant Gandhe - Asst. Company Secretary

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at March 31, 2006 Rupees	As at March 31, 2005 Rupees
Schedule I		
SHARE CAPITAL :		
Authorised :		
150,000,000 (previous year 125,000,000)		
Equity Shares of Rs. 2 each	300,000,000	250,000,000
	300,000,000	250,000,000
Issued and Subscribed :		
112,440,523 (previous year 101,726,575) Equity		
Shares of Rs. 2/-each	224,881,046	203,453,150
Paid-up :		
102,508,885 (previous year 101,726,575) Equity		
Shares of Rs. 2/- each fully paid-up	205,017,770	203,453,150
9,931,638 (previous year Nil) Equity		
Shares of Rs 2/- each Rs 0.30 paid-up	2,979,491	-
TOTAL	207,997,261	203,453,150

1. Out of the above 57,600,060 [including Nil (previous year 200) held with nominees] Equity Share of Rs. 2/- each fully paid-up are held by Mahindra & Mahindra Ltd., the holding company.

2. The above includes 51,000,100 and 25,000,000 Equity Shares of Rs. 2/-each issued as fully paid-up bonus shares by capitalisation of balance of Profit and Loss Account and General Reserve, respectively.

	Rupees	As at March 31, 2006 Rupees	As at March 31, 2005 Rupees
Schedule II			
RESERVES AND SURPLUS:			
General Reserve :			
As per last Balance Sheet	718,430,284		630,430,284
Add : Transfer from Profit and Loss Account	230,000,000		88,000,000
		948,430,284	718,430,284
Securities Premium :			
As per last Balance Sheet	152,766,273		137,550,093
Add : Received during the year	129,737,071		15,216,180
		282,503,344	152,766,273
Balance in Profit and Loss Account		4,539,714,301	3,753,582,131
TOTAL		5,770,647,929	4,624,778,688

Schedule - III

FIXED ASSETS

Description of Assets	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost as at April 01, 2005 Rupees	Additions during the year Rupees	Deductions during the year Rupees	Cost as at March 31, 2006 Rupees	Upto March 31, 2005 Rupees	For the period Rupees	Deductions during the year Rupees	Upto March, 31 2006 Rupees	As at March,31 2006 Rupees	As at March 31, 2005 Rupees
Leased Assets :										
Vehicles	81,557,438	10,888,880	18,100,864	74,345,454	17,310,768	17,078,531	7,095,107	27,294,192	47,051,262	64,246,670
(Refer Note 12 of Schedule XI)										
Other Assets :										
Office Building / Premises	1,410,277,810	797,085	-	1,411,074,895	320,881,297	94,030,805	-	414,912,102	996,162,793	1,089,396,513
Computers	616,301,600	171,825,970	5,998,661	782,128,909	415,079,349	137,898,420	5,725,669	547,252,100	234,876,809	201,222,251
Plant and Machinery	356,089,996	34,289,339	349,390	390,029,945	192,373,649	61,664,538	64,101	253,974,086	136,055,859	163,716,347
Furniture and Fixtures	376,958,343	14,876,526	-	391,834,869	195,026,950	59,752,445	-	254,779,395	137,055,474	181,931,393
Vehicles	-	20,135,542	-	20,135,542	-	3,378,873	-	3,378,873	16,756,669	-
Total	2,841,185,187	252,813,342	24,448,915	3,069,549,614	1,140,672,013	373,803,612	12,884,877	1,501,590,748	1,567,958,866	1,700,513,174
Previous year	2,164,872,109	687,888,034	11,574,956	2,841,185,187	832,515,728	315,269,326	7,113,041	1,140,672,013		
Capital Work-in-Progress, including Advances									193,315,116	70,489,653
								Total	1,761,273,982	1,771,002,827

Note: Fixed assets include certain leased vehicles aggregating to Rs.44,703,670 (previous year Rs.74,754,716) on which vendors have a lien.

SCHEDULES FORMING PART OF THE BALANCE SHEET (contd.)

	Rupees	As at March 31, 2006 Rupees	As at March 31, 2005 Rupees
Schedule IV			
INVESTMENTS (AT COST)			
Long Term (unquoted)			
Trade:			
In Subsidiary Companies :			
375,000 Ordinary Shares of US$ 1 each fully paid-up of Tech Mahindra (Americas) Inc. (Formerly known as MBT International Incorporated U.S.A.)	11,794,500	-	11,794,500
Less : Provision for Dimunition	11,794,500		11,794,500
(Refer Note 6 of Schedule XI)		-	-
3 Shares of Euro 25,000, 50,000 and 500,000 each, fully paid-up of Tech Mahindra GmbH (Formerly known as MBT GmbH) (Refer Note 1 below)	388,827,375	-	388,827,375
Less : Provision for Dimunition	353,632,342		353,632,342
(Refer Note 6 of Schedule XI)		35,195,033	35,195,033
5,000 Equity Shares of Singapore $ 10 each fully paid-up of Tech Mahindra (Singapore) Pte Ltd. (Formerly known as MBT Software Technologies Pte Ltd, Singapore)	-	1,371,976	1,371,976
9,203,500 Equity Shares (previous year Nil)of Tech Mahindra (R &D Services) Limited (Formerly known as Axes Technologies (India) Private Limited) of Rs. 5 each fully paid-up (Refer Note 4 of schedule XI)	-	1,787,889,148	-
300,000 Equity Shares (previous year Nil) of Tech Mahindra (Thailand) Limited (Formerly known as MBT Thailand Co Limited) of THB.100 each fully paid-up	-	3,516,749	-
49,994 Equity shares (previous year Nil) of Tech Mahindra Foundation of Rs. 10 each fully paid up	-	499,940	-
		1,828,472,846	36,567,009
Current Investments (at lower of cost and fair value)			
Non Trade :			
Nil (previous year 101,396.50) units of Rs Nil (previous year Rs.1,001.10) each of Franklin Templeton Mutual Fund- Institutional Income Plan	-	-	101,508,060
92,347.61 (previous year Nil) units of Rs 1,000.58 each of Franklin Templeton Mutual Fund Weekly Dividend Institutional Plan[Cost Rs. 92,443,267 (previous year Rs. Nil)]	92,401,094		-
Nil (previous year 4,144,029.86) units of Rs. Nil (previous year Rs. 10.21) each of DSP Merrill Lynch - Short Term Fund - Dividend	-	-	42,326,321
Nil (previous year 8,116,274.55) units of Rs. Nil (previous year Rs 10.03) each of DSP Merrill Lynch - Floating Rate - Weekly Dividend of Principal Mutual Fund - Institutional Plan	-	-	81,429,837

	Rupees	As at March 31, 2006 Rupees	As at March 31, 2005 Rupees
Nil (previous year 1,066,927.90) units of Rs.Nil (previous year Rs.10.04) each of Principal Mutual Fund - Institutional Plan Dividend Reinvestment Monthly	-		10,712,914
Nil (previous year 4,032,914.19) units of Rs.Nil (previous year Rs. 10.02) each of Principal Mutual Fund - Floating Rate Fund SMP	-		40,415,043
6,265,066.85 (previous year Nil) units of Rs. 10.00 each of Principal Mutual Fund - Liquid Institutional Plan weekly dividend [Cost Rs. 62,701,509 (previous year Rs. Nil)]	62,672,596		-
Nil (previous year 3,310,999.22) units of Rs. Nil (previous year Rs.15.28) each of Reliance Mutual Fund-Treasury Plan Institutional Option	-		50,586,064
Nil (previous year 2,000,000) units of Rs. Nil (Previous year of Rs. 10.00) each of Reliance Mutual Fund-Fixed Term Quarterly Plan Dividend Option	-		20,000,000
5,000,000 units of Rs. 10.00 each of Reliance Mutual Fund-FMP	50,000,000		50,000,000
5,000,000 (previous year Nil) units of Rs. 9.99 each of Reliance Fixed Tenor Fund Growth Plan [Cost Rs. 50,000,000 (previous year Rs. Nil)]	49,927,500		-
Nil (previous year 2,000,000) units of Rs.Nil (previous year of Rs. 10) each of Reliance Mutual Fund-Growth Plan	-		20,000,000
Nil (previous year 9,507,961.29) units of Rs. Nil (previous year Rs. 10.63) each of HDFC Cash Management Fund Weekly Dividend	-		101,090,809
5,000,000 (previous year 4,409,628.75) units of Rs. 10.00 each (previous year Rs. 11.49) each of Chola Fund Liquid Institutional Plus-Dividend Option	50,000,000		50,676,570
Nil (previous year 9,811,360.90) units of Rs. Nil (previous year Rs.10.30) each of Standard Chartered Mutual Fund Weekly Dividend Plan	-		101,092,372
5,000,000 (previous year Nil) units of Rs. 9.98 each of Grindlays - FMP [Cost Rs. 50,000,000 (previous year Rs. Nil)]	49,900,000		-
90,695.00 (previous year Nil) units of Rs. 1,135.75 each of TATA Mutual Fund Liquid High Investment fund weekly dividend	103,007,090		-
5,000,000 (previous year Nil) units of Rs. 10.00 each of Sundaram Mutual Fund - FMP	50,000,000		-
5,024,693.83 (previous year Nil) units of Rs. 10.00 each of ABN AMRO Mutual Fund - FMP	50,247,000		-
		1,119,039,659	1,112,780,387
TOTAL		2,947,512,505	1,149,347,396

Notes:
1. Includes Rs. 359,806,875 (previous year Rs. 359,806,875) invested towards capital reserve of the company in accordance with the German Commercial Code
2. Refer Note 20 of Schedule XI for additional information

SCHEDULES FORMING PART OF THE BALANCE SHEET (contd.)

	Rupees	As at March 31, 2006 Rupees	As at March 31, 2005 Rupees
Nil (previous year 4,315,175.02) units of Rs. Nil (previous year Rs. 11.84) each of Prudential ICICI Mutual Fund-Liquid Income Plan	-		51,109,288
Nil (previous year 1,119,449.83) units of Rs. Nil (previous year Rs. 10.85) each of Prudential ICICI Mutual Fund Institutional Short Term Plan	-		12,150,841
4,748,969.47 units of Rs. 10.53 each of Prudential ICICI Mutual Fund FMP Yearly Growth Plan	50,000,000		50,000,000
11,665,474.85 (previous year Nil) units of Rs. 10.00 each of Prudential ICICI Mutual Fund Liquid Plan Super Institutional	116,668,816		-
Nil (previous year 9,313,161.61) units of Rs Nil (previous year Rs. 10.81) each of Birla Mutual Fund - Institutional Plan	-		100,705,538
5,000,000.00 (previous year Nil) units of Rs 10.00 each of Birla Mutual Fund - Fixed term growth plan	50,000,000		-
3,071,767.96(previous year Nil) units of Rs 10.02 each of Birla Mutual Fund - Institutional Plan [Cost Rs. 30,810,447 (previous year Rs. Nil)]	30,786,794		-
5,000,000(previous year Nil) units of Rs.10.00 each of HSBC Mutual Fund- Fixed maturity plan	50,000,000		-
5,029,509.92 (previous year Nil) units of Rs. 10.00 each of HSBC Mutual Fund Fixed term series Institutional Growth Plan	50,295,099		-
Nil (previous year 6,749,441.71) units of Rs. Nil (previous year Rs.10.45) each of HSBC Mutual Fund - Short Term Institutional Fund	-		70,536,265
Nil (previous year 2,696,842.37) units of Rs.Nil (previous year Rs.10.02) each of J M Mutual Fund- Short Term Institutional Plan	-		27,013,492
6,952,192.63 (previous year 5,035,302.57) units of Rs. 10.03 (previous year Rs.10.02) each of J M Mutual Fund- High Liquidity Super Institutional Plan	69,748,080		50,449,649
Nil (previous year 3,034,216.23) units of Rs. Nil (previous year Rs.10.00) each of Kotak Floater Long Term - Weekly Dividend	-		30,353,388
4,098,246.52 (previous year Nil) units of Rs. 10.03 each of Kotak Liquid Institutional Premiun weekly dividend	41,096,908		-
5,000,000 (previous year Nil) units of Rs. 10.00 (previous year Rs. Nil) each of Kotak Mutual Fund -FMP Growth	50,000,000		-
5,214,307.74 (previous year 5,048,809.48) units of Rs. 10.03 (previous year Rs.10.03) each of Kotak Mutual Fund - Liquid Institiutional Weekly Dividend	52,288,682		50,623,936

SCHEDULES FORMING PART OF THE BALANCE SHEET (contd.)

	Rupees	As at March 31, 2006 Rupees	As at March 31, 2005 Rupees
Schedule V			
CURRENT ASSETS, LOANS AND ADVANCES :			
Current Assets :			
(a) Sundry Debtors * :			
(Unsecured)			
Debts outstanding for a period exceeding six months:			
: considered good **		145,101,029	189,209,996
: considered doubtful		26,445,830	168,090,993
		171,546,859	357,300,989
Other debts, considered good ***		3,982,467,902	1,984,957,981
considered doubtful		153,393,431	-
		4,307,408,192	2,342,258,970
Less: Provision		179,839,261	168,090,993
(Refer note 6 of schedule XI)			
		4,127,568,931	2,174,167,977
* Debtors include unbilled revenue of Rs. 437,865,019 (previous year Rs.346,914,306)			
** Net of advances of Rs. 63,188,086 (previous year Rs. Nil) pending adjustments with invoices			
*** Net of advances of Rs.29,217,991(previous year Rs.1,775,117,870) Pending adjustments with invoices.			
(b) Cash and Bank Balances :			
Balance with Scheduled banks :			
(i) In Current accounts	231,486,518		766,477,954
(ii) In Fixed Deposit accounts	275,971,678		451,024,771
Balance with other banks :With Commonwealth Bank of Australia @			
In Current accounts	8,371,888		4,237,849
		515,830,084	1,221,740,574
@ Maximum balance outstanding during the period/year : Current Account - Rs 8,371,888 (previous year Rs.28,822,855)			
(c) Loans and Advances :			
(Unsecured)			
Bills of Exchange (considered doubtful)	5,000,000		5,000,000
Less: Provision	5,000,000		5,000,000
Loans to Subsidiary		223,050,000	-
Advances recoverable in cash or in kind or for value to be received........considered good	377,688,771		233,998,494
........considered doubtful	3,758,992		3,758,992
	381,447,763		237,757,486
Less : Provision	3,758,992		3,758,992
		377,688,771	233,998,494
		600,738,771	233,998,494
TOTAL		5,244,137,786	3,629,907,045

SCHEDULES FORMING PART OF THE BALANCE SHEET (contd.)

	As at March 31, 2006 Rupees	As at March 31, 2005 Rupees
Schedule VI		
CURRENT LIABILITIES :		
Sundry Creditors :		
Total outstanding dues to Small Scale Industrial Undertakings	-	-
Total outstanding dues of Creditors other than Small Scale Industrial Undertakings *	1,957,671,077	1,117,684,188
* includes -		
Rs.349,735,805 (previous year Rs. 48,471,143) due to Tech Mahindra (Americas) Inc. USA a subsidiary company		
Rs.53,138,178 (previous year Rs. 54,921,003) due to Tech Mahindra GmbH a subsidiary company		
Rs. 16,916,357 (previous year Rs. 58,798) due To Tech Mahindra (Singapore) Pte. Ltd. a subsidiary company		
TOTAL	1,957,671,077	1,117,684,188
Schedule VII		
PROVISIONS:		
Provision for taxation (net of payments)	556,601,452	349,598,609
Proposed Dividend	915,187,950	-
Provision for Dividend tax	128,355,110	-
Provision for Gratuity	185,214,000	118,375,000
Provision for Leave Encashment	236,118,156	138,375,013
TOTAL	2,021,476,668	606,348,622

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	Rupees	Year ended March 31,2006 Rupees	Year ended March 31,2005 Rupees
Schedule VIII			
INCOME :			
Income from services (net)	11,943,343,402		9,190,808,613
[Tax deducted at source Rs. 5,967,604			
(previous year Rs.9,283,236)]			
Management fees (Net)	28,094,771		32,565,075
		11,971,438,173	9,223,373,688
Interest on :			
Deposits with banks	63,443,558		30,258,995
[Tax deducted at source Rs.9,245,040			
(previous year Rs.2,494,297)]			
Others [Tax deducted at source Rs.Nil	6,549,281		589,253
(previous year Rs.53,839)]		69,992,839	30,848,248
Dividend received on current investments (non - trade)		47,097,620	16,192,295
Profit on sale of current investments (net)		11,200,264	28,315
Exchange fluctuations (Net)		148,030,658	13,323,871
Excess provisions for earlier years/ sundry credit balances written back		31,582,315	220,779
Provision for doubtful debts/advances written back		2,755,456	8,502,342
Insurance claim received		179,245	107,312
Miscellaneous income		2,220,646	3,333,036
TOTAL		12,284,497,216	9,295,929,886
Schedule IX			
PERSONNEL :			
Salaries, wages and bonus (Refer note 14 of Schedule XI)		4,118,066,467	3,134,319,663
Contribution to provident and other funds		280,628,217	253,907,360
Staff welfare		277,060,199	149,028,964
TOTAL		4,675,754,883	3,537,255,987

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT (contd.)

	Rupees	Year ended March 31,2006 Rupees	Year ended March 31,2005 Rupees
Schedule X			
OPERATING AND OTHER EXPENSES :			
Power		67,792,661	46,987,908
Rent		116,724,497	138,597,626
Rates and taxes		3,331,853	4,559,252
Communication expenses		266,592,776	209,278,851
Travelling expenses		1,502,336,797	2,022,590,973
[Net of recoveries Rs.12,654,700 (previous year Rs.51,187,284)]			
Recruitment expenses		69,858,781	32,125,277
Hire charges [includes car lease rentals Rs.4,102,478		101,157,361	118,485,525
(previous year Rs.6,090,745)]			
Sub-contracting costs		1,920,473,006	955,595,123
Repairs and maintenance :			
Buildings (including leased premises)	14,393,023		14,689,134
Machinery	34,532,640		22,011,760
Others	35,058,006		19,202,163
		83,983,669	55,903,057
Insurance		24,034,103	14,419,746
Professional fees		98,573,645	94,398,461
Software packages		124,603,324	80,029,919
Training		90,007,138	71,425,395
Advertising, marketing and selling expenses		5,070,122	46,335,716
Commission on services income		39,821,048	34,378,472
Loss on sale of fixed assets (net)		4,055,980	3,174,459
[Net of write back of leased liability			
agregating to Rs 1,560,859 (Previous year Rs Nil)]			
Excess of cost over fair value of current investments		267,194	155,364
Provision for doubtful debts		14,503,724	14,180,376
Fixed assets written off		-	47,505
Advances / bad debts written off		-	13,397,660
Donations		154,792,908	3,681,840
Miscellaneous expenses *		140,519,201	111,508,226
TOTAL		4,828,499,788	4,071,256,731

* includes printing and stationery expenses,hospitality expenses, conveyance, etc.

SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

Schedule XI

Significant accounting policies and notes on accounts for the Year ended March 31, 2006

1. Significant accounting policies:

(a) Basis for preparation of accounts:

The accounts have been prepared to comply in all material aspects with applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) and the relevant provisions of the Companies Act, 1956.

(b) Use of Estimates:

The preparation of financial statements, in conformity with the generally accepted accounting principles, requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reported year. Differences between the actual results and estimates are recognised in the year in which the results are known/materialised.

(c) Fixed Assets:

Fixed assets are stated at cost less depreciation. Costs comprise of purchase price and attributable costs, if any.

(d) Assets taken on lease:

Assets taken on finance lease on or after April 1, 2001 are accounted for as fixed assets in accordance with Accounting Standard 19 on “Leases”, (AS 19) issued by The Institute of Chartered Accountants of India. Accordingly, the assets have been accounted at fair value. Lease payments are apportioned between finance charge and reduction of outstanding liability.

(e) Depreciation on fixed assets:

The Company computes depreciation for all fixed assets including for assets taken on lease using the straight-line method based on estimated useful lives. Depreciation is charged on a pro-rata basis for assets purchased or sold during the year. Management's estimate of the useful life of fixed assets is as follows.

Buildings	15 years
Computers	3 years
Plant and machinery	3-5 years
Furniture and fixtures	5 years
Vehicles	5 years

(f) Impairment of Assets:

At the end of each year, the company determines whether a provision should be made for impairment loss on fixed assets by considering the indications that an impairment loss may have occurred in accordance with Accounting Standard 28 on ''Impairment of Assets'' issued by the Institute of Chartered Accountants of India. Where the recoverable amount of any fixed asset is lower than its carrying amount, a provision for impairment loss on fixed assets is made for the difference.

(g) Investments:

Current investments are carried at lower of cost and fair value. Long term investments are carried at cost. Provision is made to recognise a decline other than temporary in the carrying amount of long term investment.

(h) Revenue recognition:

Revenue from software consists primarily of revenue earned from services performed on 'time and material' basis. The related revenue is recognized as and when services are performed. Income from services performed by the Company pending receipt of purchase orders from customers, which are invoiced subsequently on receipt thereof, are recognized as unbilled revenue.

The Company also performs time bound fixed price engagements, under which revenue is recognized using the percentage of completion method of accounting, unless work completed cannot be reasonably estimated. Provision for estimated losses, if any on uncompleted contracts are recorded in the period in which such losses become probable based on the current contract estimates.

Dividend income is recognized when the Company's right to receive dividend is established. Interest income is recognized on time proportion basis.

(i) Foreign currency transactions:

Transactions in foreign currencies are recorded at the exchange rates prevailing on the date of transaction. Monetary items are translated at the year-end rates. The exchange difference between the rate prevailing on the date of transaction and on the date of settlement as also on translation of monetary items at the end of the year, is recognised as income or expense, as the case may be, except where they relate to fixed assets where they are adjusted to the cost of fixed assets.

Any premium or discount arising at the inception of the forward exchange contract is recognized as income or expense over the life of the contract, except in the case where the contract is in connection with purchase of fixed asset, where the same is adjusted to the cost of fixed assets. Exchange difference accounted on a forward exchange contract entered into to hedge the foreign currency risk of a firm commitment is the difference between the foreign currency amount of the contract translated at the exchange rate at the reporting/settlement date and the said amount translated at the later date of inception of the contract/last reporting date.

(j) Retirement Benefits:

Provision is made for gratuity and encashment of unavailed leave on retirement on the basis of actuarial valuations.

SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (contd.)

(k) Income taxes:

Tax expense comprises of current tax, deferred tax and fringe benefit tax. Current tax and Deferred tax are accounted for in accordance with Accounting standard 22 on "Accounting For Taxes on Income", (AS 22) issued by the ICAI. Current tax is measured at the amount expected to be paid to/recovered from the tax authorities, using the applicable tax rates. Deferred tax assets and liabilities are recognised for future tax consequences attributable to timing differences between taxable income and accounting income that are capable of reversal in one or more subsequent years and are measured using relevant enacted tax rates. The carrying amount of deferred tax assets at each Balance sheet date is reduced to the extent that it is no longer reasonably certain that sufficient future taxable income will be available against which the deferred tax asset can be realized. Fringe benefit tax is recognized in accordance with the relevant provisions of the Income-tax Act, 1961 and the Guidance Note on Fringe Benefits Tax issued by the ICAI. Tax on distributed profits payable in accordance with the provisions of the Income-tax Act, 1961 is disclosed in accordance with the Guidance Note on Accounting for Corporate Dividend Tax issued by the ICAI.

(l) Contingent Liabilities:

These, if any, are disclosed in the notes and accounts. Provision is made in the accounts if it becomes probable that any outflow of resources embodying economic benefits will be required to settle the obligation.

2. The estimated amount of contracts remaining to be executed on capital account, and not provided for as at March 31, 2006 Rs. 421,608,250 (previous year: Rs. 92,431,940).

3. Contingent liabilities:

(i) Income tax demands disputed in appeal by the Company Rs. 42,656,152 (previous year Rs. 87,462,656) awaiting decision.

(ii) Bank Guarantees outstanding Rs. 90,739,321 (previous year: Rs. 47,362,405)

4. During the year, vide Share Purchase Agreement dated 15th November, 2005, the Company has acquired Tech Mahindra (R&D services) Limited (Formerly known as Axes Technologies (India) Private Limited), for a initial consideration of Rs. 1,755,060,471 (including stamp duty). As a result, TMRDL and its two wholly owned subsidiaries have become subsidiary / step subsidiaries of the Company with effect from the date of acquisition i.e. 28th November, 2005.

The terms of purchase also provide for payment of contingent consideration to all the selling shareholders, payable over three years and calculated based on achievement of specific targets. The contingent consideration is payable in cash and cannot exceed Rs. 640,780,000. The consideration so payable would be accounted in the books of account in the year of achieving the milestones under the Agreement. Accordingly Rs. 32,828,677 has been accounted for as at the year end, as additional cost of acquisition.

5. Confirmation letters have been sent to the debtors and creditors of the Company and their balances are subject to reconciliation and consequent adjustments, if any, on receipt of such confirmations.

6. The Company holds investments (unquoted) in two subsidiaries, viz., Tech Mahindra (Americas) Inc.(TMI) (formerly known as MBT International Incorporated, USA) , Tech Mahindra GmbH (TMGMBH) (formerly known as MBT GmbH, Germany) aggregating to Rs. 11,794,500 and Rs. 388,827,375 respectively (Refer Schedule IV), which are held as strategic long-term investments. Further, the Company has trade receivables aggregating to Rs. 372,324,042 and Rs. 42,186,455 from TMI and TMGMBH respectively and loan outstanding aggregating to Rs. 223,050,000 from TMI.

As per the latest available audited accounts of the aforesaid companies as at March 31, 2006, their respective net worth have been fully/substantially eroded. These subsidiaries have incurred losses due to substantial costs incurred over the past few years in building marketing capabilities but have made operating profits during the last year. Moreover, the subsidiaries have growth plans and expect to continue to earn profits in subsequent years resulting into positive net worth over a period of time.

Considering the above, out of abundant caution, the company has made provisions in the previous year, to the extent of accumulated losses in these subsidiaries as at the previous year end , aggregating, to Rs. 11,794,500 and Rs. 353,632,342 towards diminution in the value of investments in TMI and TMGMBH respectively and Rs.152,991,436 towards debts recoverable from TMI.

SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (contd.)

7.Payment to Auditors :

Particulars	2006 Rupees	2005 Rupees
1. Audit Fees	850,000	850,000
2. Audit of accounts as per USGAAP	150,000	150,000
3. As advisor or in any other capacity in respect of taxation matters etc.	200,000	250,000
4. In any other manner for certification etc.	390,000	365,000
5. For expenses	63,178	116,663
6. For Service Tax	162,180	111,185
Total	1,815,358	1,842,848

8. (a) Value of Imports on C.I.F. Basis :

Particulars	2006 Rupees	2005 Rupees
Capital goods [includes Rs. Nil (previous year Rs. 17,826,100) towards assets purchased in UK office]	99,296,829	94,955,133

8. (b) Expenditure in Foreign Currency :

Particulars	2006 Rupees	2005 Rupees
Professional Fees	64,274,740	64,653,812
Subcontracting cost	1,633,121,616	803,409,635
Traveling Expenses	1,320,928,324	1,532,531,310
Salaries	1,262,970,395	1,223,572,940
Software Packages	39,452,637	40,133,442
Others [including UK Corporation Tax Rs. 71,727,590 (Previous year Rs 86,269,405)	382,163,032	582,845,703
TOTAL	4,702,910,744	4,247,146,842

SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (contd.)

9. Remittance in foreign currency on account of dividends to non-Resident shareholders:

Number of Shareholders		Number of Equity Rupees	Amount remitted Rupees	Dividend relating to Year ended
2005-2006				
Five	Interim 1	43,538,335	13,061,500	March 31, 2006
Six	Interim 2	53,469,973	13,508,425	March 31, 2006
Nine	Interim 3	53,482,603	27,024,426	March 31, 2006
2004-2005				
Four	Final	43,502,015	60,902,821	March 31, 2004
Four	Interim 1	43,502,015	52,202,418	March 31, 2005
Three	Interim 2	43,528,325	43,528,325	March 31, 2005

10. Earnings in foreign Exchange :

Particulars	2006 Rupees	2005 Rupees
Income from Services	11,899,953,571	9,162,196,652
Management Fees (Net)	28,094,771	32,565,075
Interest on Deposits with Bank	28,157,772	4,941,839
Interest on Loan to Subsidiary	5,405,921	-

11. Managerial Remuneration paid to Managing Director, Executive Director and non-Executive Directors :

Particulars	2006 Rupees	2005 Rupees
Managerial Remuneration	17,102,700	8,188,440
Commission	22,808,000	11,912,300
Total	39,910,700	20,100,740

The above remuneration excludes provision for gratuity and leave encashment since these are based on actuarial valuation done on an overall company basis.

SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (contd.)

Computation of Net Profit in accordance with Section 309(5) of the Companies Act, 1956, for the year ended March 31, 2006.

Particulars	Rupees	2006 Rupees	2005 Rupees
Profit before Tax and Exceptional Items as per Profit and Loss Account		2,406,438,933	1,372,147,842
Add :			
Depreciation charged in the accounts	373,803,612		315,269,326
Fixed Assets written off	-		47,505
Loss on sale of assets as per section 349 of the Companies Act, 1956 (Net)	4,055,980		(3,174,459)
Director's Remuneration	20,100,740		20,100,740
Provision for Doubtful Debts and Advances	14,503,724		14,180,376
		412,464,056	346,423,488
		2,818,902,989	1,718,571,330
Less :			
Loss on sale of assets as per books	4,055,980		(3,174,459)
Depreciation u/s 350 of Companies Act, 1956	373,803,612		315,269,326
Fixed Assets written off as per section 349 of the Companies Act , 1956 (Net)	-		47,505
Provision for doubtful debts/advances written back	2,755,456		8,502,342
		380,615,048	320,644,714
TOTAL		2,438,287,941	1,397,926,616
Commission payable to the Managing Director and Executive Director.		7,308,000	4,700,000
Commission payable to non-executive directors		15,500,000	7,212,300

12. Assets acquired on Lease on or after April 1, 2001:

The Company has acquired vehicles on lease, the fair value of which aggregates to Rs. 74,345,454. As per AS 19, the Company has capitalised the said vehicles at their fair values as the leases are in the nature of finance leases as defined in AS 19. Lease payments are apportioned between finance charge and deduction of outstanding liabilities. The details of lease rentals payable in future are as follows:

	Not later than 1 year	Later than 1 year not later than 5 years
Minimum Lease rentals payable (Previous year Rs. 22,372,588 and Rs. 33,467,813 respectively)	19,147,044	19,297,314
Present value of Lease rentals payable (Previous year Rs. 20,294,438 and 26,209,591 respectively)	17,368,509	15,466,831

SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (contd.)

13. As per Accounting Standard 17 on Segment reporting issued by the Institute of Chartered Accountants of India, the Primary Segment of the Company is Geographical by location of customers. The Secondary Segments are identified based on the line of operations of the Company. The Accounting principles consistently used in the preparation of the financial statements are also applied to record income and expenditure in individual segments. There are no inter-segment transactions during the year.

The Primary Geographical segments of the company consist of regions of Europe, United States of America (USA) and Rest of World(ROW). The Secondary Segments consist of services provided in the Telecom sector and other sectors.

(In Rupees)

A. PRIMARY SEGMENTS				
FOR THE YEAR ENDED MARCH 31, 2006	GEOGRAPHICAL SEGMENTS BASED ON LOCATION OF CUSTOMERS			
PARTICULARS	EUROPE	USA	ROW	TOTAL
REVENUES	9,530,234,565	1,786,995,779	654,207,829	11,971,438,173
DIRECT EXPENSES	5,221,993,170	1,439,707,700	576,254,405	7,237,955,275
SEGMENTAL OPERATING INCOME	4,308,241,395	347,288,079	77,953,424	4,733,482,898
UNALLOCABLE EXPENSES				
1. Depreciation				373,803,612
2. Other Unallocable Expenses				2,266,299,396
Total				2,640,103,008
OPERATING INCOME				2,093,379,890
Other Income				313,059,043
NET PROFIT BEFORE TAX & NON-RECURRING/ EXCEPTIONAL ITEMS				2,406,438,933
INCOME TAXES				
- Current				(175,087,277)
- Deferred				2,861,282
- Fringe Benefit				(33,000,000)
NET PROFIT AFTER TAX & BEFORE NON-RECURRING/ EXCEPTIONAL ITEMS				2,201,212,938
NON-RECURRING/ EXCEPTIONAL ITEMS				-
NET PROFIT AFTER TAX AND NON-RECURRING/ EXCEPTIONAL ITEMS				2,201,212,938

Segregation of assets, liabilities, depreciation and other non-cash expenses into various primary segments has not been done as the assets are used interchangeably between segments and the Company is of the view that it is not practical to reasonably allocate liabilities and other non-cash expenses to individual segments and an adhoc allocation will not be meaningful.

SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (contd.)

B. SECONDARY SEGMENTS:

Revenues from secondary segments are as under -

Sector	Amount in Rs.
Telecom	11,813,019,106
Others	158,419,067
Total	11,971,438,173

Segregation of assets into secondary segments has not been done as the assets are used interchangeably between segments. Consequently the carrying amounts of assets by location of assets is not given.

(in Rupees)

A. PRIMARY SEGMENTS				
FOR THE YEAR ENDED MARCH 31, 2005	GEOGRAPHICAL SEGMENTS BASED ON LOCATION OF CUSTOMERS			
PARTICULARS	EUROPE	USA	ROW	TOTAL
REVENUES	8,328,655,793	549,892,570	344,825,325	9,223,373,688
DIRECT EXPENSES	5,120,083,883	404,281,995	243,499,407	5,767,865,285
SEGMENTAL OPERATING INCOME	3,208,571,910	145,610,575	101,325,918	3,455,508,403
UNALLOCABLE EXPENSES				
1. Depreciation				315,269,326
2. Other Unallocable Expenses				1,840,647,433
Total				2,155,916,759
OPERATING INCOME				1,299,591,644
Other Income				72,556,198
NET PROFIT BEFORE TAX & NON-RECURRING/ EXCEPTIONAL ITEMS				1,372,147,842
INCOME TAXES				
- Current				(142,248,589)
- Deferred				(558,938)
NET PROFIT AFTER TAX & BEFORE NON -RECURRING/EXCEPTIONAL ITEMS				1,229,340,315
NON-RECURRING/ EXCEPTIONAL ITEMS				518,418,278
NET PROFIT AFTER TAX AND NON-RECURRING/EXCEPTIONAL ITEMS				710,922,037

Segregation of assets, liabilities, depreciation and other non-cash expenses into various primary segments has not been done as the assets are used interchangeably between segments and the Company is of the view that it is not practical to reasonably allocate liabilities and other non-cash expenses to individual segments and an adhoc allocation will not be meaningful.

B. SECONDARY SEGMENTS:

Revenues from secondary segments are as under -

Sector	Amount in Rs.
Telecom	9,223,373,688
Others	-
Total	9,223,373,688

Segregation of assets into secondary segments has not been done as the assets are used interchangeably between segments. Consequently the carrying amounts of assets by location of assets is not given.

SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (contd.)

14. Salaries, Wages, Bonus includes provision for Gratuity Rs. 66,839,000 (Previous year Rs. 27,510,000), Encashment of unavailed leave Rs.97,743,143 (Previous year Rs. 33,790,013).

15. A) The Company has instituted " Employee Stock Option Plan 2000" (ESOP) for its employees and directors. For this purpose it had created a trust viz. MBT ESOP trust. In terms of the said Plan, the trust has granted options to the employees and directors in form of warrant which vest at the rate of 33.33% on each successive anniversary of the grant date. The options can be exercised over a period of 5 years from the date of grant. Each warrant carries with it the right to purchase one equity share of the Company at the exercise price determined by the trust on the basis of fair value of the equity shares at the time of grant.

The details of the options are as under:

	March 31, 2006	March 31, 2005
Options outstanding at the beginning of the year	2,229,740	1,818,080
Options granted during the year	345,000	832,500
Options lapsed during the year	313,340	58,320
Options cancelled during the year	259,090	-
Options exercised during the year	782,310	362,520
Options outstanding at the end of the year	1,220,000	2,229,740

Out of the options outstanding at the end of the year, 504,300 (previous year 1,357,380) options have vested, which have not been exercised.

B) The Company has instituted " Employee Stock Option Plan 2004" (ESOP 2004) for its employees. In terms of the said Plan, the Compensation Committee has granted options to employees of the Company. The options are divided into Upfront options and Performance options. The Upfront Options are divided into three sets which will entitle holders to subscribe to option shares at the end of First year, Second year and Third year. The vesting of the Performance Options will be decided by the Compensation Committee based on the performance of employees.

Options granted and outstanding at the end of the year are 10,219,860 (previous year 10,219,860).

2,271,078 (previous year Nil) options have vested as at the end of the year.

C) During the year the Company has instituted " Employee Stock Option Plan 2006 " (ESOP 2006) for the employees and directors of TML and its subsidiary companies. In terms of the said plan, the compensation committee has granted options to the employees of the Company. The vesting of the options is 10% , 15%, 20%, 25%,and 30 % of total options granted after 12, 24, 36, 48 and 60 months, respectively from the date of grant. The maximum exercise period is 7 years from the date of grant.

The details of the options are as under:

	March 31, 2006
Options outstanding at the beginning of the year	-
Options granted during the year	4,633,680
Options lapsed during the year	-
Options cancelled during the year	21,300
Options exercised during the year	-
Options outstanding at the end of the year	4,612,380
Weighted average share price of the above options on the date of the exercise	Rs 83

Out of the options outstanding at the end of the year, none of the options have vested.

D) The Company uses the intrinsic value-based method of accounting for stock options granted after April 1, 2005. The Company has done the accounting of ESOPs based on Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. Had the compensation cost for the Company's stock based compensation plan been determined in the manner consistent with the fair value approach as described in the Guidance note, the Company's net income would be lower by Rs 36,942 and earnings per share as reported would be lower as indicated below:

SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (contd.)

Particulars	
Net profit as reported	2,201,212,938
Less: Total stock-based employee compensation expense determined under fair value base method.	36,942
Adjusted net profit	2,201,175,996
Basic earnings per share	
- As reported	21.17
- Adjusted	21.17
Diluted earnings per share	
- As reported	17.13
- Adjusted	17.13
The fair value of each warrant is estimated on the date of grant based on the following assumptions:	
Dividend yield (%)	6.89
Expected life	5 years
Risk free interest rate (%)	7.12
Volatility	-

16. As required under Accounting Standard 18 (AS 18), following are details of transactions during the year with the related parties of the Company as defined in AS 18:

    (a) List of Related Parties and Relationships :

Name of Related Party	Relation
Mahindra & Mahindra Limited	Holding Company
British Telecommunications, plc.	Promoter holding more than 20% stake
Mahindra BT Investment Company (Mauritius) Limited	Promoter Group company
Tech Mahindra (Americas)Inc, USA (Formerly known as MBT International Inc., USA)	100% subsidiary company
Tech Mahindra GmbH (Formerly known as MBT GmbH, Germany)	100% subsidiary company
Tech Mahindra (Singapore) Pte Ltd. (Formerly known as MBT Software Technologies Pte. Ltd., Singapore)	100% subsidiary company
Tech Mahindra (R & D Services) Limited (Formerly known as Axes Technologies (India) Private Limited)	99.97% Subsidiary company
Tech Mahindra (Thailand) Limited	99.99% Subsidiary company
Tech Mahindra Foundation	99.98% Subsidiary company
Mahindra Engineering and Chemical Products Limited	Fellow Subsidiary Company
Mahindra Engineering Design and Development Company Limited.	Fellow Subsidiary Company
Bristlecone India Ltd.	Fellow Subsidiary Company
Mahindra & Mahindra Contech Limited	Fellow Subsidiary Company
Mr. Robert John Helleur* Executive Director and Chief Executive Officer	Key Management Personne
Mr. Vineet Nayyar* Vice Chairman and Managing Director	Key Management Personnel

* Part of the previous year

SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (contd.)

(b)Related Party Transactions :

Transactions	Promoter Companies	Subsidiary Companies	Fellow subsidiary Companies	Key Management Personnel
	Rupees	Rupees	Rupees	Rupees
Reimbursement of Expenses (Net)-Paid/(Receipt)	(83,406,400) [(43,642,006)]	(162,589,990) [192,245,525]	25,499,644 [119,746]	- [-]
Income from Services & Management Fees	8,545,278,618 [7,933,535,493]	854,483,143 [612,965,861]	3,735,227 [1,525,000]	- [-]
Interest on Loan	- [-]	5,405,921 [-]	- [-]	[-]
Commission on Sales	- [-]	- [34,378,472]	- [-]	[-]
Sub-contracting cost	- [-]	1,459,977,190 [212,939,120]	- [5,841,954]	- [-]
Dividend Paid	122,604,006 [363,789,702]	[-] [-]	- -	- [152,652]
Investment	- [-]	1,791,905,837 [120,691,875]	- [-]	- [-]
Donation	-- [-]	150,000,000 [-]	- [-]	- [-]
Provision for diminution in value of investment	- [-]	- [365,426,842]	- [-]	- [-]
Loan Given/ (Repaid)	- [-]	223,050,000 [-]	- [-]	- [-]
Salary and Perquisites	- [-]	- [-]	- [-]	17,102,700 [8,188,440]
Provision for doubtful debtors	- [-]	- [152,991,436]	- [-]	- [-]
Debit / (Credit) balances (Net) outstanding as on March 31, 2006	3,031,737,577 [1,707,318,367]	260,871,048 [277,848,490]	(5,278,085) [(908,470)]	- [-]

(Figures in brackets “[ ]”are for the previous year)

SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (contd.)

Out of the above items transactions with Promoter companies, Subsidiary Companies and Key Management Personnel in the excess of 10% of the total related party transactions are as under:

(Amount in Rupees)

Transactions		For the year ended March 31,2006	For the year ended March 31,2005
Reimbursement of Expenses (net) - Paid / (Receipt)			
Promoter Companies			
- British Telecommunications plc.	(87,292,381)		(51,069,289)
Subsidiary Companies			
- Tech Mahindra (Americas) Inc.			
(Formerly known as MBT International Inc.)	163,350,674		188,948,983
		76,058,293	137,879,694
Income from Services			
Promoter Companies			
- British Telecommunications plc.		8,529,065,460	7,949,298,612
Subcontracting Cost			
Subsidiary Companies			
- Tech Mahindra (Americas) Inc.			
(Formerly known as MBT International Inc.)	1,219,751,858		124,472,831
- Tech Mahindra GmbH (Formerly known as MBT GmbH)	174,332,177		88,466,289
		1,394,084,035	212,939,120
Commission on Sales			
Subsidiary Companies			
- Tech Mahindra GmbH (Formerly known as MBT GmbH)		-	34,412,683
Dividend Paid			
Promoter Companies			
- Mahindra & Mahindra Ltd.	69,120,072		207,360,216
- British Telecommunications plc.	52,143,163		156,429,486
		121,263,235	363,789,702
Investment			
Subsidiary Companies			
- Tech Mahindra GmbH (Formerly known as MBT GmbH)		-	120,691,875
- Tech Mahindra (R & D Services) Limited			
(Formerly known as Axes Technologies (India) Pvt Ltd)		1,787,889,148	
Loan Given / (Repaid)			
Subsidiary Companies			
- Tech Mahindra (Americas) Inc.			
(Formerly known as MBT International Inc.)		223,050,000	-
Interest on Loan			
Subsidiary Companies			
- Tech Mahindra (Americas) Inc.			
(Formerly known as MBT International Inc.)		5,405,921	-
Donation			
Subsidiary Companies			
- Tech Mahindra Foundation		150,000,000	-
Provision for Diminution in value of Investment			
Subsidiary Companies			
- Tech Mahindra (Americas) Inc.			
(Formerly known as MBT International Inc.)	-		11,794,500
- Tech Mahindra GmbH (Formerly known as MBT GmbH)	-		353,632,342
		-	365,426,842
Salary and Perquisites			
Key Management Personnel			
- Mr. Robert John Helleur*	-		4,846,288
- Mr. Vineet Nayyar*	17,102,700		3,342,152
		17,102,700	8,188,440
Provision for Diminution in value of Debtors			
Subsidiary Companies			
- Tech Mahindra (Americas) Inc.			
(Formerly known as MBT International Inc.)		-	152,991,436

SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (contd.)

Other related parties of the Company are as under :

- Automartindia Limited
- Bristlecone Ltd. Cayman
- Bristlecone Inc.
- Mahindra Gesco Developers Ltd
- Mahindra Acres and Consulting Engineers Ltd
- Mahindra Ashtech Ltd
- Mahindra Automotive Steels Pvt. Ltd
- Bristlecone India Ltd.
- Bristlecone GmbH
- Bristlecone Singapore Pte. Ltd.
- Mahindra (China) Tractor Company Ltd.
- Mahindra Engg & Chem Products Ltd.
- Mahindra Engineering Design & Development Company Ltd.
- Mahindra Europe s.r.l.
- Mahindra Gujarat Tractor Ltd.
- Mahindra Holdings & Finance Ltd.
- Mahindra Holidays & Resorts India Ltd.
- Mahindra Holidays & Resorts (USA) Inc.
- Mahindra Insurance Brokers Ltd.
- Mahindra Infrastructure Developers Ltd.
- Mahindra Intertrade Ltd.
- Bristlecone UK Ltd.
- Mahindra International Ltd.
- Mahindra World City Developers Ltd.
- Mahindra Logisoft Business Solutions Ltd.
- Mahindra Middleeast Electrical Steel Service Centre (FZE)
- Mahindra & Mahindra Financial Services Ltd.
- Mahindra & Mahindra South Africa (Pty) Ltd.
- Mahindra Overseas Investment Company (Mauritius) Ltd.
- Mahindra Realty Ltd.
- Mahindra Renault Pvt. Ltd.
- Mahindra Steel Service Centre Ltd.
- Mahindra Shubhlabh Services Ltd.
- Mahindra SAR Transmission Pvt Ltd.
- Mahindra USA Inc.
- Mahindra Ugine Steel Company Ltd.
- Mahindra World City (Jaipur) Ltd.
- NBS International Ltd.
- Tech Mahindra (R & D Services) Inc
- Tech Mahindra (R & D Services) Pte Ltd.
- Stokes Group Limited
- Jensand Limited
- Stockes Forgings Dudley Limited
- Stockes Forgings Limited
- Plexion Technologies (India) Private Limited
- Plexion Technologies (UK) Limited
- Plexion Technologies GmbH
- Plexion Technologies Incorporated
- Tech Mahindra Foundation
- Mahindra Inframan Water Utilities Pvt. Ltd.
- Mahindra Sona Ltd.
- Mahindra Water Utilities Ltd.
- PSL Erickson Ltd.
- Owens Corning (India) Ltd.
- Siroplast Ltd.
- Mahindra Construction Company Ltd.
- Kota Farm Services Ltd.
- Mriyalguda Farm Solution Ltd.
- Rathna Bhoomi Enterprises Pvt. Ltd.
- Officemartindia.com Ltd.
- Mega One Stop Farm Services Ltd.

There have been no transactions with the aforesaid companies during the year.

17. The tax effect of significant timing differences that has resulted in deferred tax assets and liabilities are given below:

Deferred Tax	Rupees March 31, 2006	Rupees March 31, 2005
a) Deferred tax liability: Depreciation	(1,435,453)	(1,226,029)
b) Deferred tax asset :		
Gratuity, Leave Encashment etc	5,771,675	2,899,302
Doubtful Debts	532,440	334,107
Total Deferred Tax Asset (Net)	4,868,662	2,007,380

18. Exchange gain/(loss)(net) accounted during the year:

a) The Company enters into foreign exchange forward contracts to offset the foreign currency risk arising from the amounts denominated in currencies other than the Indian rupee. The counter party to the Company's foreign currency forward contracts is generally a bank. These contracts are entered into to hedge the foreign currency risks of firm commitments.

SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (contd.)

b) The following are the outstanding Forward Exchange Contracts entered into by the company as on 31st March, 2006:

Currency	Amount outstanding at year end in Foreign currency	Amount outstanding at year end in Rs.	Exposure to Buy / Sell
US Dollar	100,489,700	4,482,845,517	Sell
UK Pound	15,000,000	1,162,500,000	Sell

c) The year end foreign currency exposures that have not been specifically hedged by a derivative instrument or otherwise are given below:

Amounts receivable in foreign currency on account of the following:

	In Rupees	In Foreign Currency
Debtors	Rs. 2,814,528,306	Aud 683,965 Eur 1,562,766 Gbp 34,825,858 Nzd 198,272 Sgd 604,510
Loans and advances	Rs. 113,073,519	Gbp 1,432,401 Thb 186,500 Dhr 75,804 Eur 4,190 Aud 20,889
Cash/Bank balances (Net)	Rs. 31,372,790	Aud 772,810 Nzd 236,419 Twd 136,700

Amounts payable in foreign currency on account of the following:

	In Rupees	In Foreign Currency
Creditors (Net)	Rs. 468,476,302	Eur 1,063,457 Gbp 420,755 Sgd 617,040 Usd 8,113,114
Other current liabilities (Net)	Rs. 117,312,888	Gbp 1,513,715

d) The amount of exchange difference in respect of forward exchange contracts to be recognized in the profit and loss account for subsequent accounting year aggregates to Rs. 51,402,677 (Gain) (previous year 2,112,765)

e) Exchange gain/(loss)(net) accounted during the year:

Particulars	2006	2005
Income from services	(68,509,521)	(2,799,680)
Others	148,030,658	13,323,871

The disclosures made in paragraphs (b) and (c) have been made consequent to an announcement by the Institute of Chartered Accountants of India in December, 2005, which is applicable to the financial periods ending on or after 31st March, 2006. Therefore, figures for the previous year have not been disclosed.

SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (contd.)

19. Earning Per Share is calculated as follows:

Particulars	2006 Rupees	2005 Rupees
a. Net Profit after tax but before Exceptional Item (in Rupees)	2,201,212,938	1,229,340,315
Less: Non recurring / Exceptional Items	-	518,418,278
Net profit attributable to shareholders	2,201,212,938	710,922,037
b. Weighted average number of Equity Shares		
Basic	103,998,631	101,726,575
Add: ESOPs outstanding at the end of the year	16,052,240	12,449,600
Partly Paid-up shares not entitled for dividend	8,441,892	
Diluted	128,492,763	114,176,175
c. Nominal value of equity share	Rs. 2	Rs. 2

20. Details of Investments Purchased and Sold during the year

Particulars	March 31, 2006 Units	March 31, 2006 Cost
TEMPLETON MUTUAL FUND		
Short Term Income Plan Monthly	87,993.54	90,000,000.00
DSP MERRILL LYNCH MUTUAL FUND		
Short Term Fund Dividend	4,791,291.35	50,000,000.00
Short Term Fund Monthly Dividend	9,145,199.02	94,430,581.53
PRUDENTIAL ICICI MUTUAL FUND		
Short Term Dividend Plan	4,553,360.84	50,000,000.00
Short Term Cumulative Plan	3,917,942.61	50,000,000.00
Liquid Institutional Plan Plus	8,428,718.33	100,000,000.00
BIRLA SUNLIFE MUTUAL FUND		
Institutional Premium Weekly Dividend	10,067,379.91	100,941,591.45
Birla Bond Plus Institutional (Fortnightly Dividend)	2,864,891.71	30,000,000.00
HSBC MUTUAL FUND		
HSBC Income Fund Short Term Institutional Dividend	4,652,764.21	50,000,000.00
DEUTSCHE MUTUAL FUND		
Institutional Plan Weekly Dividend Plan	4,981,419.31	50,000,000.00
JM MUTUAL FUND		
Short Term Fund-Institutional Plan-Dividend	3,904,076.83	40,000,000.00
High Liquidity Fund- Super Institututional Plan-Weekly Dividend	10,126,163.18	101,567,780.87
Short Term Fund-Institutional Plan-Growth	4,423,760.91	50,000,000.00
KOTAK MUTUAL FUND		
Liquid Institutional Premium - Weekly Dividend	4,982,163.85	50,000,000.00
Kotak Bond Short Term Growth	4,153,479.37	50,000,000.00
Kotak Bond Short Term Monthly Dividend	3,975,036.77	40,000,000.00
PRINCIPAL MUTUAL FUNDS		
Institutional Plan - Dividend reinvestment -monthly	4,963,173.25	50,000,000.00

SCHEDULES FORMING PART OF THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (contd.)

Particulars	March 31, 2006 Units	March 31, 2006 Cost
RELIANCE MUTUAL FUND		
Reliance Short Term - Growth Plan	4,289,231.46	50,000,000.00
Reliance Treasury Plan Retail Option Weekly Dividend	4,968,128.58	51,385,850.70
HDFC MUTUAL FUND		
HDFC Cash Management Fund Weekly Dividend	4,701,899.57	50,000,000.00
CHOLA MUTUAL FUND		
Chola Liquid Institutional Plus Weekly Dividend	4,274,271.45	50,000,000.00
ING VYSYA MUTUAL FUND		
ING Vysya Liquid Fund Institutional -Weekly Dividend	4,984,100.72	50,000,000.00
TATA MUTUAL FUND		
Tata Short term Bond Fund - Dividend	9,184,048.92	10,000,000.00

21. Previous year's figures have been regrouped wherever necessary, to conform to the current year's classification .

Signatures to Schedules I to XI
As per our attached report of even date

For Tech Mahindra Limited

For Deloitte Haskins & Sells
Chartered Accountants

A B Jani
Partner

Mumbai
Dated : May 15, 2006

Mr. Anand G.Mahindra - Chairman
Mr. Bharat Doshi - Director
Mr. Clive Goodwin - Director
Mr. Anupam Puri - Director
Hon.Akash Paul-Director

New York,
Dated : May 4, 2006

Mr. Vineet Nayyar - Vice Chairman & Managing Director
Mr. Al-Noor Ramji - Director
Dr. Raj Reddy - Director
Mr. Arun Seth - Director
Mr. Ulhas N. Yargop - Director

Mr. Vikrant Gandhe - Asst. Company Secretary

BALANCE SHEET ABSTRACT AND THE COMPANY'S GENERAL BUSINESS PROFILE :

I. Registration Details

Registration Number	41370/86	State Code	11
Balance Sheet date	31032006		
Date Month Year			

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

Public Issue	Rights Issue
NIL	NIL
Bonus Issue	Private Placements
NIL	4544

III. Position of Mobilisation and deployment of funds (Amounts in Rs. Thousands)

Total Liabilities (including shareholders' funds)	Total Assets
9957793	9957793
Paid-up Capital	Reserves and Surplus
207997	5770648
Secured Loans	Unsecured Loans
NIL	NIL
Net Fixed Assets	Investments
1761274	2947512
Net Current Assets	Deferred Tax Asset
1264990	4869
Accumulated Losses	
NIL	

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

Turnover (Sales and Other Income)	Total Expenditure
12284497	9878058
Profit/(Loss) Before Tax	Profit/(Loss) After Tax
2406439	2201213
Earning per Share in Rs. (Refer Note 18 above)	Dividend Rate %
21.17	500

V. Generic Names of Three Principal Products/Service of Company (as per monetary terms)

Item Code (ITC Code)	852490
Product Description	Computer Software Services

For Tech Mahindra Limited

Mr. Anand G.Mahindra - Chairman	Mr. Vineet Nayyar - Vice Chairman & Managing Director
Mr. Bharat Doshi - Director	Mr. Al-Noor Ramji - Director
Mr. Clive Goodwin - Director	Dr. Raj Reddy - Director
Mr. Anupam Puri - Director	Mr. Arun Seth - Director
Hon.Akash Paul-Director	Mr. Ulhas N. Yargop - Director

New York,
Dated : May 4, 2006

Mr. Vikrant Gandhe - Asst. Company Secretary

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

Particulars	Names of the Subsidiary Companies							
	Tech Mahindra (Americas) Inc.	Tech Mahindra GmbH	Tech Mahindra (Singapore) Pte. Ltd.	Tech Mahindra (Thailand) Ltd.	Tech Mahindra Foundation	Tech Mahindra (R&D Services) Ltd.	Tech Mahindra (R&D Services) Inc.	Tech Mahindra (R&D Services) Pte. Ltd.
The Financial Year of the Subsidairy ended on	March 31, 2006 US $	March 31, 2006 Euro	March 31, 2006 S$	March 31, 2006 THB	March 31, 2006 INR	March 31, 2006 INR	March 31, 2006 US $	March 31, 2006 S$
Number of shares of the subsidairy Company held by Tech Mahindra Limited at the above date								
Equity	375,000	3	5,000	300,000	49,994	9,203,500	500,000	400,000
Extent of holding	100%	100%	100%	100%	100%	99.99%	99.99%	99.99%
The Net Agrgregate of profits/losess of the Subsidairy Company for its financial year so far as they are concern the memebers of Tech Mahindra Limited								
a) Dealth with in the accounts of Tech Mahindra for the Year ended March 31,2006								
b) Not dealth with in the accounts of Tech Mahindra for the Year ended March 31,2006	792,250	313,977	(159,580)	(3,397,196)	(34,942)	(70,784,875)	225,695	(6,612)
The Net Agrgregate of profits/losess of the Subsidairy Company for its previous financial year so far as they are concern the memebers of Tech Mahindra Limited								
a) Dealth with in the accounts of Tech Mahindra for the Year ended March 31,2005								
b) Not dealth with in the accounts of Tech Mahindra for the Year ended March 31,2005	(1,815,201)	(2,182,296)	12,342	-	-	-	-	-

For Tech Mahindra Limited

Mr. Anand G.Mahindra - Chairman
Mr. Bharat Doshi - Director
Mr. Clive Goodwin - Director
Mr. Anupam Puri - Director
Hon.Akash Paul-Director

Mr. Vineet Nayyar - Vice Chairman & Managing Director
Mr. Al-Noor Ramji - Director
Dr. Raj Reddy - Director
Mr. Arun Seth - Director
Mr. Ulhas N. Yargop - Director

New York,
Dated : May 4, 2006

Mr. Vikrant Gandhe - Asst. Company Secretary

FINANCIAL STATEMENTS OF SUBSIDIARIES OF TECH MAHINDRA LIMITED FOR THE YEAR ENDED MARCH 31, 2006

Tech Mahindra (Americas) Inc.
(Formerly MBT International Inc.)

BOARD OF DIRECTORS

1. Mr. Anand G. Mahindra - Chairman
2. Mr. Vineet Nayyar - President
3. Mr. Al-Noor Ramji
4. Mr. Clive Goodwin
5. Mr. Ulhas N. Yargop

REGISTERED OFFICE

22, Dogwood Circle
Matawan, New Jersey 07747
USA

BANKERS

PNC Bank
State Bank of India
HSBC Bank

CORPORATE OFFICE

384 Inverness Parkway,
Suite 205, Englewood,
CO 80112
USA

AUDITORS

Capin Crouse L.L. P.
Accountants & Consultants

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DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors present their Report together with the audited accounts of your Company for the year ended 31st March 2006.

FINANCIAL RESULTS

For the year ended March 31	2006 USD	2006 INR	2005 USD	2005 INR
Income	27,537,110	1,229,807,333	14,577,666	651,038,564
Profit/ (Loss) before tax	1,462,762	65,326,951	(3,001,518)	(134,047,794)
Profit/ (Loss) after tax	792,750	35,404,215	(1,815,201)	(81,066,877)

REVIEW OF OPERATIONS

During the fiscal year, the Company achieved sales of US $ 27,537,110 an increase of 89% over the sales for the previous year. The Company continues to invest in strengthening its marketing infrastructure in the US which is identified as a future growth area. The increase in business and the focus on right sizing the US operations while preparing for the next level of growth has helped the Company to earn profits compared to losses in the last few years.

CHANGE OF NAME

During the year, the Company's name was changed from MBT international Inc. to Tech Mahindra (Americas) Inc. This was done in line with the change of name of the parent company, Tech Mahindra Limited.

OUTLOOK FOR THE CURRENT YEAR

The Company believes that the investments made over the last few years in cultivating long term relationships with major telecom companies will result in further increase in the business and improvement in profits.

ACKNOWLEDGEMENTS

Your Directors gratefully acknowledge the contributions made by the employees towards the success of the Company. Your Directors are also thankful for the co-operation and assistance received from its customers, suppliers, bankers, State and Federal Government Authorities and the shareholder.

Vineet Nayyar

Pune, April 7, 2006

Director

INDEPENDENT AUDITORS REPORT

Tech Mahindra (Americas) Incorporated
A wholly owned subsidiary of Tech Mahindra Limited, an India Corporation
Richardson, Texas

We have audited the accompanying balance sheets of Tech Mahindra (Americas) Incorporated, a wholly owned subsidiary of Tech Mahindra Limited, an India corporation, as of March31, 2006 and 2005, and the related statements of income and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tech Mahindra (Americas) Incorporated, a wholly owned subsidiary of Tech Mahindra Limited, an India corporation, as of March 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplemental Schedules of Income and Expenses on page 9 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Colorado Springs, Colorado
April 7, 2006

INDEPENDENT AUDITORS REPORT ON SUPPLEMENTAL SCHEDULE

Tech Mahindra (Americas) Incorporated
a wholly owned subsidiary of Tech Mahindra Limited,
an India corporation
Richardson, Texas

Our reports on our audits of the basic financial statements of Tech Mahindra(Americas) Incorporated, a wholly owned subsidiary of Tech Mahindra Limitied, an India corporation, for 2006 and 2005 appear on page1. We conducted our audits in accordance with U.S. generally accepted auditing standards for the purpose of forming an opinion on the basic financial statements taken as a whole. The information on pages 11-18 are presented for purposes of additional analysis and are not a required part of the basic financial statements. It has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Foreign Currency amounts in the supplemental schedules are translated for convenience into Indian Rupees at the exchange rate of Rs.44.66 to 1.00 USD, which is the average of the telegraphic buying and selling rate quoted by the Mumbai Branch of the State Bank of India on March 31, 2006

Colorado Springs, Colorado
April 7, 2006

SUPPLEMENTAL BALANCE SHEETS

	Years Ended March 31,			
	2006 USD	2006 INR	2005 USD	2005 INR
ASSETS :				
Current assets :				
Cash (including $ 295,565 (13,199,933 INR) and $ 412,000(18,399,920 INR) in interest bearing account as of March 31,2006 and 2005, respectively)	461,264	20,600,050	1,024,400	45,749,704
Accounts receivable, trade (Note 6)	2,269,237	101,344,124	3,089,997	137,999,266
Deferred income tax asset (Note 3)	1,050,000	46,893,000	420,000	18,757,200
Employee advances	364,850	16,294,201	79,500	3,550,470
Prepaid expenses and other current assets	3,355	149,834	55,960	2,499,174
Total current assets	4,148,706	185,281,210	4,669,857	208,555,814
Deferred income tax asset (Note 3)	1,344,290	60,035,991	2,589,393	115,642,291
Fixtures and equipment (less accumulated depreciation of $64,873 (2,897,228 INR) and $172,955 (7,724,170 INR) as of March 31,2006 and 2005, respectively)	44,051	1,967,318	104,080	4,648,213
Security deposits	63,987	2,857,659	16,003	714,694
Total Assets	5,601,034	250,142,178	7,379,333	329,561,012
LIABILITIES AND STOCKHOLDERS' EQUITY				
Liabilities:				
Current liabilities:				
Accounts payable and accrued expenses	2,627,046	117,323,874	1,263,601	56,432,421
Due to parent (Note 4)	586,599	26,197,511	9,521,093	425,212,013
Total current liabilities	3,213,645	143,521,386	10,784,694	481,644,434
Note payable to parent (Note 5)	5,000,000	223,300,000	-	-
Total liabilities	8,213,645	366,821,386	10,784,694	481,644,434
Stockholder's Equity				
Common stock - $1 par value - 500,000 shares authorized, 375,000 shares issued and outstanding	375,000	16,747,500	375,000	16,747,500
Retained earnings (deficit)	(2,987,611)	(133,426,707)	(3,780,361)	(168,830,922)
Total stockholders' equity	(2,612,611)	(116,679,207)	(3,405,361)	(152,083,422)
Total Liabilities and Stockholders' Equity	5,601,034	250,142,178	7,379,333	329,561,012

SUPPLEMENTAL STATEMENTS OF INCOME AND RETAINED EARNINGS

Years Ended March 31,

	Schedule	2006 USD	2006 INR	2005 USD	2005 INR
INCOME (Note 6)	I	27,537,110	1,229,807,333	14,577,666	651,038,564
EXPENSES:					
Personnel	II	13,424,903	599,556,168	4,707,188	210,223,016
Operating and other expenses	III	12,561,354	560,990,070	12,820,621	572,568,934
Depreciation		88,091	3,934,144	51,375	2,294,408
Total expenses		26,074,348	1,164,480,382	17,579,184	785,086,357
Income (Loss) before income tax expense		1,462,762	65,326,951	(3,001,518)	(134,047,794)
Income tax expense (benefit) (Note 3)		670,012	29,922,736	(1,186,317)	(52,980,917)
NET INCOME (LOSS)		792,750	35,404,215	(1,815,201)	(81,066,877)
Retained Deficit, Beginning of Year		(3,780,361)	(168,830,922)	(1,965,160)	(87,764,046)
Retained Deficit, End of Year		(2,987,611)	(133,426,707)	(3,780,361)	(168,830,922)

SUPPLEMENTAL STATEMENTS OF CASH FLOWS

	Years Ended March 31, 2006 USD	2006 INR	2005 USD	2005 INR
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income (loss)	792,750	35,404,215	(1,815,201)	(81,066,877)
Adjustments to reconcile net income to cash used by operating activities :				
Depreciation	88,091	3,934,144	51,375	2,294,408
Changes in operating assets and liabilities:				
Accounts receivable, trade	820,760	36,655,142	(383,156)	(17,111,747)
Employee advances	(285,350)	(12,743,731)	(29,560)	(1,320,150)
Prepaid expenses and other current assets	52,605	2,349,339	135,768	6,063,399
Accounts payable and accrued expenses	1,363,445	60,891,454	294,675	13,160,186
Deferred income tax benefit	615,103	27,470,500	(1,181,990)	(52,787,673)
Due to parent	(8,934,494)	(399,014,502)	2,853,064	127,417,838
Net Cash Used by Operating Activities	(5,487,090)	(245,053,439)	(75,025)	(3,350,616)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Fixtures and equipment purchased	(28,062)	(1,253,249)	(24,903)	(1,112,168)
Net change in security deposits	(47,984)	(2,142,965)	(2,763)	(123,396)
Net Cash Used by Investing Activities	(76,046)	(3,396,214)	(27,666)	(1,235,564)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from note payable from parent	5,000,000	223,300,000	-	-
Net Cash Provided by Financing Activities	5,000,000	223,300,000	-	-
Net Change in Cash	(563,136)	(25,149,654)	(102,691)	(4,586,180)
Cash, beginning of year	1,024,400	45,749,704	1,127,091	50,335,884
Cash, end of year	461,264	20,600,050	1,024,400	45,749,704
Supplemental Disclosures:				
Cash paid for income taxes	19,528	872,120	747	33,361
Cash paid for interest (None capitalized)	73,630	3,288,316	-	-

SUPPLEMENTAL NOTES TO FINANCIAL STATEMENTS
MARCH 31 2006 AND 2005

1. NATURE OF ORGANIZATION:

Tech Mahindra (Americas) Incorporated (TMA), formerly known as MBT International Incorporated, is a wholly-owned subsidiary of Tech Mahindra Limited (TML), formerly known as Mahindra - British Telecom Limited, which is incorporated in the country of India. TMA was incorporated in the State of New Jersey in November 1993, and provides computer consulting and programming support services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of TMA have been prepared on the accrual basis of accounting. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Certain prior year amounts have been reclassified to conform to the current year presentation. The significant accounting policies are described as follows:

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of checking and savings accounts and a certificate of deposit with an original maturity of less than three months. These accounts may, at times, exceed federally insured limits. TMA has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

ACCOUNTS RECEIVABLE, TRADE

Accounts receivable consists primarily of amounts due from customers for services provided by TMA and is net of an allowance for doubtful accounts of $15,000 (669,900 INR) and $55,283 (2,468,939 INR) as of March 31, 2006 and 2005, respectively. Management's estimate of uncollectible accounts was based upon an analysis of past due accounts. This estimate is based upon historical collections. Accounts are written off when all methods to collect have been exhausted.

FIXTURES AND EQUIPMENT

Fixtures and equipment are recorded at cost and depreciated using the straight-line method over an estimated remaining useful life of three years. TMA capitalizes purchases greater than $500 (22,330 INR) with less amounts expensed in the year purchased.

REVENUE AND EXPENSE

TMA entered into a new contract, effective January 1,2005, with TML. Under the new contract TMA pays TML 100% of all contract revenue. However, TML, has agreed to: 1) reimburse TMA all direct project expenses, plus 5.75% of these expenses and 2) reimburse TMA all indirect costs, plus 4% for services as marketing service provider. Expenses are recorded when incurred.

SUPPLEMENTAL NOTES TO FINANCIAL STATEMENTS MARCH 31 2006 AND 2005 (contd.)

3. INCOME TAXES:

MBTI accounts for income taxes under the provisions of Financial Accounting Standards ("SFAS") No. 109, Accounting for Income Taxes.

Income tax expense (benefit) consists of the following:

Federal State

Years Ended March 31,

	2006 USD	2006 INR	2005 USD	2005 INR
Federal	521,746	23,301,176	(940,000)	(41,980,400)
State	148,266	6,621,560	(246,317)	(11,000,517)
	670,012	29,922,736	(1,186,317)	(52,980,917)

TMA has incurred net operating losses of $5,715,341 (255,247,129 INR) which are available to be carried forward through March 31,2019. TMA expects to be able to utilize the entire deferred tax benefit during that period, and therefore, no valuation allowance has been recorded to reduce the asset.

4. TRANSACTIONS WITH RELATED PARTIES:

TMA had an agreement with TML, which was terminated on December 31,2004. Under this agreement TML made available to TMA qualified employees to work in the United States on a temporary basis. In addition to wages paid to employees, TMA paid TML $1,200 (53,592 INR) per month for each employee. TMA was responsible for ransportation between India and the United States for such employees. In addition, TMA subcontracted with TML for computer consulting and programming support services related to certain contracts obtained by TMA. TMA paid TML 90% of the total contract revenues recognized under this agreement.

TMA entered into a new contract, effective January 1,2005, with TML. Under the new contract TMA pays TML 100% of all contract revenue. However, TML, has agreed to: 1) reimburse TMA all direct project expenses, plus 5.75% of these expenses and 2) reimburse TMA all indirect costs, plus 4% for services as marketing service provider. The above transactions are summarized as follows:

Years Ended March 31,

	2006 USD	2006 INR	2005 USD	2005 INR
Beginning balance, due to parent	9,521,093	425,212,013	6,668,029	297,794,175
Secondment fees incurred	-	-	132,000	5,895,120
Contract revenue (Note 6)	16,556,022	739,391,943	11,959,401	534,106,849
Income from parent	(27,506,047)	(1,228,420,059)	(134,862)	(6,022,937)
Payments to parent	(18,837,153)	(841,267,253)	(12,695,103)	(566,963,300)
Advances received from parent	20,852,684	931,280,867	7,864,079	351,209,768
Payments made on behalf of parent	-	-	(4,272,451)	(190,807,662)
Ending balance, due to parent	586,599	26,197,511	9,521,093	425,212,013

SUPPLEMENTAL NOTES TO FINANCIAL STATEMENTS
MARCH 31 2006 AND 2005 (contd.)

4. TRANSACTIONS WITH RELATED PARTIES contd.:

Due to parent consists of:

	Years Ended March 31,			
	2006 USD	2006 INR	2005 USD	2005 INR
Amounts due to parent	8,426,451	376,325,302	10,620,960	474,332,074
Amounts due from parent	(7,839,852)	(350,127,790)	(1,099,867)	(49,120,060)
	586,599	26,197,511	9,521,093	425,212,013

5. NOTE PAYABLE DUE TO PARENT:

Note payable due to parent consists of the following:

	Years Ended March 31,			
	2006 USD	2006 INR	2005 USD	2005 INR
Unsecured note payable due to parent, interest at 4% per annum, interest only payments due semi-annually, unpaid interest and principal due July 2012.	5,000,000	223,300,000	-	-

6. CONCENTRATIONS:

Income from parent for the year ended March 31,2006 is approximately 99.9% of total income.

In addition, two customers comprise a significant portion of contract revenue. This revenue is received by TMA and transferred to TML. Contract revenue and accounts receivable concentrations are as follows:

Consulting sales revenue concentrations:

	Years Ended March 31,			
	2006 Amount	2006 Concentration	2005 Amount	2005 Concentration
Convergys, Inc.	$ 4,699,925	28%	$ 2,309,485	16%
Qwest	$ 5,763,414	35%	$ 1,771,122	12%

Consulting sales revenue concentrations (INR):

	Years Ended March 31,			
	2006 Amount	2006 Concentration	2005 Amount	2005 Concentration
Convergys, Inc.	INR 209,898,651	28%	INR 103,141,600	16%
Qwest	INR 257,394,069	35%	INR 79,098,309	12%

SUPPLEMENTAL NOTES TO FINANCIAL STATEMENTS MARCH 31 2006 AND 2005 (contd.)

6. CONCENTRATIONS contd.:

Accounts receivable concentrations:

Year Ended March 31,

	2006		2005	
	Amount	Concentration	Amount	Concentration
Convergys, Inc.	$829,551	37%	$767,983	25%
Qwest	$730,841	32%	$447,852	14%

Accounts receivable concentrations (INR):

Year Ended March 31,

	2006		2005	
	Amount	Concentration	Amount	Concentration
Convergys, Inc.	INR 37,047,748	37%	INR 34,298,121	25%
Qwest	INR 32,639,359	32%	INR 20,001,070	14%

7. COMMITMENTS:

TMA leases office space under operating leases. Rent expense under these operating leases was $203,578 (9,091,793 INR) and $229,041 (10,228,971 INR) for the years ended March 31,2006 and 2005, respectively. Future minimum lease payments under operating leases are as follows.

Years Ending March 31,	USD	INR
2007	178,781	7,984,359
2008	78,144	3,489,911
	256,925	11,474,271

In June 2005, TMA entered into a sublease agreement, which expires September 2007. Future minimum rent income under this sublease at March 31,2006, is as follows:

Years Ending March 31,	USD	INR
2007	96,829	4,324,383
2008	52,662	2,351,885
	149,491	6,676,268

8. FINANCIAL CONDITION:

As of March 31, 2006, TMA had a deficit in stockholders' equity of $2,612,611 (116,679,207 INR). TML has represented that they will continue to support TMA until its stockholders' equity is positive. Additionally, TMA has entered into a contract with TML, which generates a profit for them (see Note 4).

SUPPLEMENTAL SCHEDULES OF INCOME AND EXPENSES

Years Ended March 31,

	2006 USD	2006 INR	2005 USD	2005 INR
Schedule I				
INCOME:				
Contract revenue	16,556,022	739,391,943	14,432,537	644,557,102
Transfers to parent	(16,556,022)	(739,391,943)	-	-
	-	-	14,432,537	644,557,102
Income from parent (See Note 4)	27,506,047	1,228,420,059	134,862	6,022,937
Interest income on bank deposits	31,063	1,387,274	10,267	458,524
	27,537,110	1,229,807,333	14,577,666	651,038,564
Schedule II				
PERSONNEL EXPENSES:				
Salaries:				
Software engineers	8,777,478	392,002,167	1,777,736	79,393,690
Administrative	2,770,656	123,737,497	2,245,476	100,282,958
Payroll taxes	895,014	39,971,325	273,683	12,222,683
Employee benefits	981,755	43,845,178	410,293	18,323,685
	13,424,903	599,556,168	4,707,188	210,223,016
Schedule III				
OPERATING AND OTHER EXPENSES:				
Contracted services	5,598,183	250,014,853	559,505	24,987,493
TML secondment fees	-	-	132,000	5,895,120
TML offshore project charges	-	-	9,313,087	415,922,465
Marketing and advertising	62,474	2,790,089	627,666	28,031,564
Insurance	100,908	4,506,551	233,406	10,423,912
Travel	5,974,695	266,829,879	427,519	19,092,999
Entertainment	27,858	1,244,138	3,283	146,619
Professional fees	164,893	7,364,121	860,783	38,442,569
Rent	203,578	9,091,793	229,041	10,228,971
Communications	150,308	6,712,755	263,656	11,774,877
Office expenses	35,135	1,569,129	53,130	2,372,786
Interest expense	119,955	5,357,190	-	-
Recruiting	-	-	13,885	620,104
Miscellaneous expenses	123,367	5,509,570	103,660	4,629,456
	12,561,354	560,990,070	12,820,621	572,568,934

Tech Mahindra GmbH
(Formerly MBT GmbH)

Supervisory Board

1. Mr. Vineet Nayyar - Chairman
2. Mr. Ulhas N. Yargop
3. Mr. Clive Goodwin

Managing Director

Mr. Sonjoy Anand

Registered Office

Rather Straße 110 b, 40476
Düsseldorf
Germany

Bankers

Dresdner Bank AG
State Bank of India, Germany

Auditors

Deloitte and Touche, GmbH
Düsseldorf, Germany

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MANAGING DIRECTOR'S REPORT TO THE SHAREHOLDERS

Your Managing Director presents his report together with the audited accounts for the period ended 31st March 2006.

FINANCIAL RESULTS

For the year ended March 31	2006 Euro	2006 INR	2005 Euro	2005 INR
Income	5,259,040	285,671,026	5,226,551	283,906,227
Profit/(Loss) after tax	313,978	17,055,274	(2,182,297)	(118,542,368)

The income for the year has increased by 32,492 Euros over the previous year. The Company continued its investment in sales & marketing in Europe and focused on optimizing costs.

SHARE CAPITAL

The Company's share capital is Euro 575,000. The share capital is fully paid up.

CHANGE OF NAME

During the year, the Company's name was changed from MBT GmbH to Tech Mahindra GmbH. This was done in line with the change of name of the Parent Company, Tech Mahindra Limited.

MANAGEMENT

The current Chairman of the Supervisory Board is Mr. Vineet Nayyar. The other members of the Board are Mr. Ulhas N. Yargop and Mr. Clive Goodwin.

Mr. Sonjoy Anand is the sole Managing Director of the Company.

ACKNOWLEDGEMENTS

Your Managing Director gratefully acknowledges the contributions made by the employees towards the success of the Company. Your Managing Director is also thankful for the co-operation and assistance received from customers, suppliers, bankers, State and Federal Government Authorities and the shareholder.

Sonjoy Anand
Managing Director

Pune, April 11, 2006

INDEPENDENT AUDITORS' REPORT

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements , together with the bookkeeping system, of TECH MAHINDRA GmbH, Dusseldorf, for the business year from April 1, 2005 to March 31, 2006. The maintenance of the books and records and the preparation of the annual financial statements pursuant to German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on these annual financial statements, together with the bookkeeping system, based on our audit.

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

Our audit has not led to any reservations.

In our opinion,based on the findings of our audit, the annual financial statements of TECH MAHINDRA GmbH, Dusseldorf, comply with the legal requirements and give a true and fair view of the net assets, financial position and the results of operations of Companyf, in accordance with German principles of proper accounting.

Without qualifying this conclusion, we draw attention to the fact that continued existence at TECH MAHINDRA GmbH, Dusseldorf, depends on the appropriate funding by the shareholders and maintenance at contracts governing the mutual business relationships concluded with the shareholders.

Dusseldorf, April 7, 2006

Deloitte & Touche GmbH

Wirtschaftsprufungsgesellschaft

Signed: Thiede	Signed: Herrel
Wirtschaftsprufer	Wirtschaftsprufer
[German Public Auditor]	[German Public Auditor]

MEMO

Date: April 11, 2006

To: TECH MAHINDRA GmbH, Dusseldorf

From: Detlef Herrel

Subject: Converting of Financial Statements of TECH MAHINDRA GmbH (formerly MBT GmbH), Dusseldorf

Dear Sirs,

Please find attached the Balance Sheet and Profit and Loss Account of TECH MAHINDRA GmbH, Dusseldorf, signed for identification purposes only.

Foreign Currency amounts (including prior year amounts) are translated for convenience into Indian Rupees (INR) at the exchange rate of Rs. 54,32 = EUR 1 which is the average of the telegraphic transfer buying and selling rates quoted by the Mumbai branch of State Bank of India on March 31, 2006.

Kind regards,

Deloitte & Touche GmbH
Wirtschaftsprufungsgesellschaft

(Detief Herrel)
Wirtschaftsprufer

BALANCE SHEET AS ON MARCH 31, 2006

Assets	March 31,2006 EUR	March31, 2006 INR	Prior Year EUR	Prior Year INR	Equity and Liabilities	March 31, 2006 EUR	March 31, 2006 INR	Prior Year EUR	Prior Year INR
A. Fixed Asset					A. Equity				
I. Intangible Asset	8.253,38	448,324	19.886,17	1,080,217	I. Subscribed capital	575.000,00	31,234,000	575.000,00	31,234,000
Software					II.Capital reserve	6.625.000,00	359,870,000	6.625.000,00	359,870,000
II.Tangible Assets									
Other equipment, factory and office equipment	30.217,98	1,641,441	69.057,01	3,751,177	III.Net retained losses	(6.281.213,89)	(341,195,539)	(4.098.917,02)	(222,653,173)
	38.471,36	2,089,765	88.943,18	4,831,394					
					V.Net gain/loss for the year	313.977,82	17,055,276	(2.182.296,87)	(118,542,366)
B. Current Assets									
						1.232.763,93	66,963,737	918.786,11	49,908,461
I. Inventorites									
Unfinished services	-	-	86.725,60	4,710,935	B. Accruals				
					Other accruals	290.317,29	15,770,035	427.628,38	23,228,774
II. Receivables and other assets									
1. Trade receivables	1.022.304,75	55,531,594	1.120.147,81	60,846,429	C. Liabilites				
2. Receivables from affiliated companies	994.295,10	54,010,110	963.864,57	52,357,123	1. Payments received in advance			120.000,00	6,518,400
3. Other assets	49.549,64	2,691,536	28.670,02	1,557,355	2. Trade payables	103.352,76	5,614,122	456.166,54	24,778,966
	2.066.149,49	112,233,240	2.112.682,40	119,471,842	3. Payables to affiliated companies	783.486,20	42,558,970	519.195,10	28,202,678
					4. Other liabilites	42.966,16	2,333,922	144.426,06	7,845,224
III.Cash-in-hand, bank balances	331.800,30	18,023,392	285.406,21	15,503,265	Of which taxes:				
	2.397.949,79	130,256,632	2.484.814,21	134,975,107	EUR 22.809,16 (Prior year: EUR 98.715,32)				
					Of which relating to social security				
					And similar obligations:				
					EUR NIL (Prior year:EUR 44,045,25)				
C. Prepaid expenses	16.465,19	894,389	12.444,80	676,002		929.805,12	50,507,014	1.239.787,70	67,345,268
	2.452.886,34	133,240,786	2.586.202,19	140,482,503		2.452.886,34	133,240,786	2.586.202,19	140,482,503

Note Foreign Currency amounts (including prior year amounts) are translated for convenience into Indian rupees(INR) at the exchange rate of Rs. 54,32=EURO 1 which is the average of the telegraphic transfer buying and selling rates quoted by the Mumbai branch of State Bank of India on March 31, 2006

current year	54,32
previous tear	54,32

PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM APRIL 1, 2005 TO MARCH 31, 2006

	2005/2006 EUR	2005/2006 INR	Prior year EUR	Prior year INR
1. Sales	5.319.645,23	288,963,129	4.923.764,79	267,458,903
2. Variance in inventories	(86.725,60)	(4,710,935)	86.725,60	4,710,935
3. Other operating income	24.917,14	1,353,499	211.519,67	11,489,748
4. Cost of services	(2.743.589,76)	(149,031,796)	(2.556.047,86)	(138,844,520)
5. Personnel expenses				
a) Wages and Salaries	(1.472.931,50)	(80,009,639)	(3.019.504,45)	(164,019,482)
b) Social security	(193.505,86)	(10,511,238)	(357.572,37)	(19,423,331)
6. Depreciation on intangible fixed assets and		-		
tangible assets	(43.590,24)	(2,367,822)	(56.747,49)	(3,082,524)
7. Other operating expenses	(491.444,34)	(26,695,257)	(1.418.814,04)	(77,069,979)
8. Other interest and similar income	1.202,75	65,333	4.540,52	246,641
9. Interest and similar expenses	-	-	(161,24)	(8,759)
10. Net gain/loss for the year	313.977,82	17,055,274	(2.182.296,87)	(118,542,368)

Rate current year	54.32
Rate previous year	54.32

MOVEMENTS IN FIXED ASSETS IN THE BUSINESS YEAR 2005/2006

	Acquisition / production cost				Accumulated depreciation				Net book values	
	Balance as at April 1, 2005 EUR	Additions EUR	Disposals EUR	Balance as at March 31,2006 EUR	Balance as at April 1, 2005 EUR	Additions EUR	Disposals EUR	Balance as at March 31, 2006 EUR	Balance as at March 31, 2006 EUR	Prior year EUR
I. Intangible assets Software	41.638,20	-	-	41.638,20	21.752,03	11.632,79	-	33.384,82	8.253,38	19.886,17
II.Tangible assets Other equipment, factory and office equipment	184.363,96	-	(30.200,04)	154.163,92	115.306,95	31.957,45	(23.318,46)	123.945,94	30.217,98	69.057,01
	226.002,16	-	(30.200,04)	195.802,12	137.058,98	43.590,24	(23.318,46)	157.330,76	38.471,36	88.943,18

	Acquisition / production cost				Accumulated depreciation				Net book values	
	Balance as at April 1, 2005 INR	Additions INR	Disposals INR	Balance as at March 31, 2006 INR	Balance as at April 1, 2005 INR	Additions INR	Disposals INR	Balance as at March 31, 2006 INR	Balance as at March 31, 2006 INR	Prior year INR
I. Intangible assets Software	2,261,787	-	-	2,261,787	1,181,570	631,893	-	1,813,463	448,324	1,080,217
II.Tangible assets Other equipment, factory And office equipment	10,014,650	-	(1,640,466)	8,374,184	6,263,474	1,735,929	(1,266,659)	6,732,743	1,641,441	3,751,177
	12,276,437	-	(1,640,466)	10,635,971	7,445,044	2,367,822	(1,266,659)	8,546,206	2,089,765	4,831,394

Rate current year 54.32
Rate previous year 54.32

NOTES TO THE FINANCIAL STATEMENTS FOR THE BUSINESS YEAR 2005/2006

A. General Information

The annual financial statements for the business year from April 1 2005 to March 31 2006 comply with the valid stipulations of the German Commercial Code (HGB) and the statutes for limited liability companies (GmbHG). The Company has partly taken favour of disclosure simplifications of the German Commercial Code.

The Company is a small corporation according to Sec. 267 para. 1 German Commercial Code.

B. Information on Accounting and Valuation Methods

Intangible assets are valued at acquisition cost less scheduled straight-line amortization and depreciation.

Fixed assets are valued at acquisition cost less scheduled straight-line amortization and depreciation in accordance with their estimated useful life. Low value assets (less than EUR 410) are fully depreciated in the year of their acquisition.

Receivables and other assets as well as liquid funds are capitalized at nominal value. If necessary, allowances for implied risk are set up.

The subscribed capital is valued at nominal value.

Other accruals cover all risks and contingent liabilities identifiable as at the balance sheet date.

The liabilities are recorded at the amount at which they will be repaid.

C. Notes to the Balance Sheet

Receivables and other assets

All receivables and other assets have a residual term of less than one year.

The receivables from affiliated companies relate to trade receivables. Receivables from affiliated companies in the amount of EUR 994.295.10 (INR 54,010,109) relate to shareholders.

Other accruals

Other accruals comprise mainly of accruals for vacation not taken (EUR 45 thousand, INR 2,444 thousand), management bonuses (EUR 98 thousand, INR 5,323 thousand), year-end audit (EUR 13 thousand, INR 706 thousand) and other accruals (EUR 134 thousand, INR 7,279 thousand).

Liabilities

All liabilities have a residual term of less than one year.

The liabilities to affiliated companies relate to trade payables. Payables to affiliated companies in the amount of EUR 783.486.20 (INR 42,558,970) relate to shareholders.

D. Other Required Disclosures

As at the balance sheet date, the financial commitments as stipulated by Sec. 285 para. 3 German Commercial Code are as follows:

Financial commitments from rent contracts	EUR	INR
Up to one year	72.124.80	4,026,459
One to two years	580.80	31,549
Two to three years	580.80	31,549
Later	24.20	1,315
Financial commitments from leasing contracts	**EUR**	**INR**
Up to one year	39.522.47	2,145,861
One to two years	15.282.00	830,118
Two to three years	1.177.50	63,962
Later	0.00	0.00

Management

Managing directors were:

Marcus Schuler, Sprockhovel, Germany, (until 31 July 2005)

Sonjoy Anand, Pune, India

NOTES TO THE FINANCIAL STATEMENTS FOR THE BUSINESS YEAR 2005/2006 (contd.)

Supervisory board

The supervisory board comprises of the following three members:

Ulhas Yargop, Mumbai, India

Clive Goodwin, Middlesex, Great Britain

Vineet Nayyar, New Delhi, India, chairman

Group affiliation

TECH MAHINDRA LIMITED., Mumbai, India, prepares the consolidated financial statements for the smallest and largest group of companies in which the annual financial statements of TECH MAHINDRA GmbH, Dusseldorf, are included. These annual financial statements are available at the registered office of TECH MAHINDRA LIMITED., Mumbai, India.

Sonjoy Anand

Managing Director

Dusseldorf, April 5 2006

Tech Mahindra (Singapore) Pte. Limited
(Formerly MBT Software Technologies Pte. Limited)

Board of Directors
1. Mr. Sonjoy Anand
2. Mr. Lim Tiong Beng

Registered Office
152 Beach Road
#32-01/04, Gateway Tower East
Singapore 189721

Bankers
Standard Chartered Bank

Auditors
Deloitte and Touche, Singapore
Certified Public Accountants, Singapore

CONTENTS	PAGE

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of the company for the financial year ended March 31, 2006.

1. DIRECTORS

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

Lim Tiong Beng

Sonjoy Anand

2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors to acquire benefits by means of the acquisition of shares or debentures in the company or any other body corporate.

3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors holding office at the end of the financial year had no interests in the share capital of the company and related corporations as recorded in the register of directors' shareholdings kept by the company under Section 164 of the Singapore Companies Act, except as follows:

	Options registered in the name of director	
Name of director and company in which interest is held	At beginning of year	At end of year
Tech Mahindra Limited	Units of Indian Rupee 2 each	
Sonjoy Anand	25,000	29,400

4. DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest. Certain directors received remuneration from related corporations in their capacities as directors and/or executives of those related corporations.

5. OPTION TO TAKE UP UNISSUED SHARES

During the financial year, no option to take up unissued shares of the company was granted.

6. OPTION EXERCISED

During the financial year, there were no shares of the company issued by virtue of the exercise of an option to take up unissued shares.

7. UNISSUED SHARES UNDER OPTION

At the end of the financial year, there were no unissued shares of the company under option.

8. AUDITORS

The auditors, Deloitte & Touche, have expressed their willingness to accept re-appointment.

Lim Tiong Beng

April 3, 2006

Sonjoy Anand

STATEMENT OF DIRECTORS

(Formerly known as MBT Software Technologies Pte. Ltd.)

In the opinion of the directors, the accompanying financial statements set out on pages 4 to 17 are drawn up so as to give a true and fair view of the state of affairs of the company as at March 31, 2006 and of the results, changes in equity and cash flows of the company for the financial year then ended and at the date of this statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

Lim Tiong Beng

Sonjoy Anand

April 3, 2006

AUDITORS' REPORT TO THE MEMBER OF

TECH MAHINDRA (SINGAPORE) PTE. LIMITED

(Formerly known as MBT Software Technologies Pte. Ltd.)

We have audited the accompanying financial statements of Tech Mahindra (Singapore) Pte. Limited as set out on pages 4 to 17 for the year ended March 31, 2006. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion,

a) the accompanying financial statements are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the “Act”) and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the company as at March 31, 2006 and of the results, changes in equity and cash flows of the company for the year ended on that date; and

b) the accounting and other records required by the Act to be kept by the company have been properly kept in accordance with the provisions of the Act.

Deloitte & touche

Certified Public Accountants

Singapore

April 3, 2006

BALANCE SHEET MARCH 31, 2006

	Note	2006 $	2005 $
ASSETS			
Current assets:			
Cash and bank balances	6	200,246	70,531
Trade receivables	7	744,706	675,944
Other receivables and prepayments	8	48,761	17,382
Total current assets		993,713	763,857
Non-current asset:			
Equipment	9	13,217	-
Total assets		1,006,930	763,857
LIABILITIES AND EQUITY			
Current liability:			
Other payables	10	692,192	289,539
Capital and reserves:			
Issued capital	11	50,000	50,000
Accumulated profits		264,738	424,318
Total equity		314,738	474,318
Total liabilities and equity		1,006,930	763,857
See accompanying notes to financial statements.			

PROFIT AND LOSS STATEMENT YEAR ENDED MARCH 31, 2006

	Note	2006 $	2005 $
Revenue	12	3,798,920	1,737,222
Cost of sales		(620,722)	-
Gross profit		3,178,198	1,737,222
Other operating expenses	13	(3,338,003)	(1,724,880)
Other income		225	-
(Loss) Profit before income tax	14	(159,580)	12,342
Income tax	15	-	-
(Loss) Profit after income tax		(159,580)	12,342
See accompanying notes to financial statements.			

STATEMENT OF CHANGES IN EQUITY YEAR ENDED MARCH 31, 2006

	Issued capital $	Accumulated profits $	Total $
Balance at April 1, 2004	50,000	411,976	461,976
Net profit for the year	-	12,342	12,342
Balance at March 31, 2005	50,000	424,318	474,318
Net loss for the year	-	(159,580)	(159,580)
Balance at March 31, 2006	50,000	264,738	314,738
See accompanying notes to financial statements.			

CASH FLOW STATEMENT YEAR ENDED MARCH 31, 2006

	2006 $	2005 $
Cash flows from operating activities:		
(Loss) Profit before income tax	(159,580)	12,342
Adjustments for:		
Interest income	(223)	-
Allowance for doubtful debts	77,027	-
Depreciation expense	8,998	12,257
Operating (loss) profit before working capital changes	(73,778)	24,599
Trade receivables	(145,789)	(337,373)
Other receivables and prepayments	(31,269)	65,722
Other payables	402,653	251,512
Cash generated from operations	151,817	4,460
Interest received	113	-
Income tax paid	-	(28)
Net cash from operating activities	151,930	4,432
Cash flows used in investing activities:		
Increase in pledged fixed deposits	(113)	(20,000)
Purchase of equipment	(22,215)	(12,257)
Net cash used in investing activities	(22,328)	(32,257)
Net increase (decrease) in cash and cash equivalents	129,602	(27,825)
Cash and cash equivalents at beginning of year	50,531	78,356
Cash and cash equivalents at end of year (Note 6)	180,133	50,531
See accompanying notes to financial statements.		

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2006

1. General

The company (Registration No. 200203658M) is incorporated in the Republic of Singapore with its principal place of business and registered office at 152 Beach Road #32-01/04, Gateway East, Singapore 189721. The financial statements are expressed in Singapore dollars.

The company is principally engaged in providing consultancy and services relating to information technology and development of software solutions and products.

The company changed its name from MBT Software Technologies Pte. Limited to Tech Mahindra (Singapore) Pte. Limited on January 16, 2006.

The financial statements of the company for the financial year ended March 31, 2006 were authorised for issue by the Board of Directors on April 3, 2006.

2. Summary Of Significant Accounting Policies

BASIS OF ACCOUNTING - The financial statements are prepared in accordance with the historical cost convention and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

In the current financial year, the company has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") issued by the Council on Corporate Disclosure and Governance that are relevant to its operations and effective for annual periods beginning on or after January 1, 2005. The adoption of these new/revised FRSs and INT FRSs has no material effect on the financial statements.

At the date of authorisation of these financial statements, the following FRSs, INT FRSs and amendments to FRSs were issued but not effective:

FRS 40	-	Investment Property
FRS 102	-	Share Based Payment
FRS 106	-	Exploration for and Evaluation of Mineral Resources
FRS 107	-	Financial Instruments: Disclosures
INT FRS 104	-	Determining whether an Arrangement contains a Lease
INT FRS 105	-	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
INT FRS 106	-	Liabilities Arising from Participating in a Specific Market Waste Electrical and Electronic Equipment
INT FRS 107	-	Applying the Restatement Approach under FRS 39 Financial Reporting in Hyperinflationary Economies

Amendments to FRS 1 Presentation of Financial Statements on Capital Disclosures.

Amendments to FRS 21 The Effects of Changes in Foreign Exchange Rates on net investment in a foreign operation.

Amendments to FRS 39 Financial Instruments: Recognition and Measurement on hedge accounting provisions, fair value option and financial guarantee contracts.

Amendments to FRS 101 First-time Adoption of Financial Reporting Standards on comparative disclosures for FRS 106 Exploration for and Evaluation of Mineral Resources.

Amendments to FRS 104 Insurance Contracts on financial guarantee contracts.

Consequential amendments were also made to various standards as a result of these new/revised standards.

The directors anticipate that the adoption of these FRSs, INT FRSs and amendments to FRSs that were issued but not yet effective until future periods will not have a material impact on the financial statements of the company.

Financial Instruments

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

Cash and bank balances

Cash and bank balances comprise cash at bank and fixed deposits that are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit and loss statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

EQUIPMENT - Equipment are carried at cost less accumulated depreciation and any impairment loss where the recoverable amount of the asset is estimated to be lower than its carrying amount.

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method, on the following basis:

Equipment	-	1 year

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised as income.

Fully depreciated assets still in use are retained in the financial statements.

Impairment Of Assets

At each balance sheet date, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset/cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset/cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset/cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset/cash-generating unit in prior years. A reversal of an impairment loss is recognised as income immediately.

Provisions

Provisions are recognised when the company has a present obligation as a result of a past event, and it is probable that the company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

LEASES Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes. Revenue from the rendering of services that are of a short duration is recognised when the services are completed.

Retirement Benefit Costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the company's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

Employee Leave Entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit and loss statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2006 (contd.)

Foreign Currency Transactions And Translation

The financial statements of the company are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The financial statements of the company are presented in Singapore dollars, which is the functional currency of the company.

In preparing the financial statements of the company, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

3. Critical Accounting Judgements And Key Sources Of Estimation Uncertainty

Critical judgements in applying the company's accounting policies

In the process of applying the entity's accounting policies, which are described in Note 2 to the financial statements and key assumptions concerning the future, management is not aware of any judgements that have the most significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as discussed below.

Allowances for bad and doubtful debts

The company makes allowances for bad and doubtful debts based on an assessment of the recoverability of trade receivables. Allowances are applied to trade receivables when events or changes in circumstances indicate that the balance may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade receivables and doubtful debts expenses in the period in which such estimate has been changed.

4. Financial Risks And Management

(i) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a loss to the company. The company has adopted the policy of only dealing with creditworthy counterparties.

The carrying amount of financial assets recorded in the financial statements, net of any provision for losses, represents the company's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

(ii) Foreign currency risk

The company does not enter into derivative foreign exchange contracts and foreign currency borrowings to hedge against foreign currency risk. It is the company's policy not to trade in derivative contracts.

(iii) Interest rate and liquidity risk

The company's exposure to interest rate and liquidity risks is insignificant.

(iv) Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other receivables and other payables approximate their respective fair values due to the relatively short-term maturity of the financial instruments.

5. Holding Company And Related Company Transactions

The company is a subsidiary of Tech Mahindra Limited, (2005: Majindra- British Telecom Limited) incorporated in India which is also the company's ultimate holding company. Related companies in these financial statements refer to members of the ultimate holding company's group of companies.

Some of the company's transactions and arrangements are between members of the group and the effect of these on the basis determined between the parties is reflected in these financial statements. The intercompany balances are unsecured, interest-free and repayable within the next twelve months unless otherwise stated.

Significant intercompany transactions, other than those disclosed elsewhere in the notes to the profit and loss statement are as follows:

	2006 $	2005 $
Rendering of services	(2,434,957)	-
Secondment fees	241,800	449,800
Marketing and administration		
Support fees	604,510	-

	2006 $	2005 $
6. Cash and bank balances		
Cash at bank	180,133	50,531
Pledged fixed deposits	20,113	20,000
	200,246	70,531

Cash and cash equivalents comprise cash held by the company. The carrying amounts of these assets approximate their fair values.

Fixed deposits bear interest at an average rate of 0.80% (2005 : 0.56%) per annum and are for a tenor of approximately 365 days (2005 : 365 days). The fixed deposits are pledged to a bank for the issuance of bank guarantee.

	2006 $	2005 $
7. Trade Receivables		
Outside parties	204,798	675,944
Less allowance for doubtful debts	(77,027)	-
	127,771	675,944
Holding company (Note 5)	616,935	-
	744,706	675,944
8. Other Receivables and Prepayments		
Staff advances	36,974	-
Deposits	6,827	5,527
Prepayments	2,150	3,492
Other receivables	2,810	8,363
	48,761	17,382

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2006 (contd.)

9. Equipment

	$
Cost:	
At April 1, 2004	-
Additions	12,257
At April 1, 2005	12,257
Additions	22,215
At March 31, 2006	34,472
Accumulated depreciation:	
At April 1, 2004	-
Depreciation charge for the year	12,257
At April 1, 2005	12,257
Depreciation charge for the year	8,998
At March 31, 2006	21,255
Carrying amount:	
At March 31, 2006	13,217
At March 31, 2005	-

10. Other Payables

	2006	2005
	$	$
Holding company (Note 5)	604,509	207,099
Other payables	87,683	82,440
	692,192	289,539

11. Issued Capital

	2006	2005	2006	2005
	Number of ordinary Shares of $10 each		$	$
Authorised	10,000	10,000	100,000	100,000
Issued and paid up:				
At beginning and at end of year	5,000	5,000	50,000	50,000

12. Revenue

	2006	2005
	$	$
Rendering of services	3,798,920	1,737,222

	2006 $	2005 $
13. Other Operating Expenses		
Staff costs	2,039,105	1,371,354
Marketing and administration support fees (Note 5)	604,510	-
Others	694,388	353,526
	3,338,003	1,724,880
14. (Loss) Profit Before Income Tax		
(Loss) Profit before income tax has been arrived at after charging (crediting):		
Directors' fees	2,000	2,000
Staff costs	2,039,105	1,371,354
Cost of defined contribution plans included in staff costs	41,774	14,276
Allowance for doubtful debts	77,027	-
Interest income from outside parties	(223)	-
Foreign exchange adjustment gain	(965)	(2,871)
Depreciation of equipment	8,998	12,257
15. Income Tax		
The income tax (benefit) expense varied from the amount of income tax (benefit) expense determined by applying the Singapore income tax rate of 20% (2005 : 20%) to (loss) profit before income tax as a result of the following differences:		
Income tax (benefit) expense statutory rate	(31,916)	2,468
Deferred tax asset not recognised	31,916	-
Exempt income	-	(2,468)
Total income tax	-	-
The company has tax loss carry forwards available for offsetting against future taxable income as follows:		
Amount at beginning of year	-	-
Amount in current year	159,580	-
Amount at end of year	159,580	-
Deferred tax benefit on above not recorded	31,916	-
No deferred tax assets has been recognised in respect of the above due to the unpredictability of future profit streams.		
16. Contingent Liabilities		
Bank guarantees (secured)	139,140	169,090

MEMO

Date	:	3 April 2006
To	:	Tech Mahindra (Singapore) Pte. Ltd.
From	:	Deloitte & Touche Singapore
Subject	:	Accounts of Tech Mahindra (Singapore) Pte Limited for the Year Ended March 31, 2006 denominated in Indian Rupees.

Dear Sirs,

Please find attached the Balance Sheet, Profit and Loss Statement, Statement of Changes in Equity, Cash Flow Statement and notes to accounts of Tech Mahindra (Singapore) Pte. Limited, signed for identification purposes only in respect of the above financial year end.

All balances (including prior year balances) are translated for convenience into Indian Rupees (Rs) at the exchange rate of Rs. 27.59 = SGD 1 which is the average of the telegraphic transfer buying and selling rates quoted by the Mumbai Branch of State Bank of India on March 31, 2006.

Kind regards,

DELOITTE & TOUCHE

BALANCE SHEET

	Note	Year Ended March 31, 2006		2005	
		$	Rs.	$	Rs.
ASSETS					
Current assets:					
Cash and cash equivalents	1	200,246	5,524,787	70,531	1,945,950
Trade receivables	2	744,706	20,546,438	675,944	18,649,295
Other receivables and prepayments	3	48,761	1,345,316	17,382	479,570
Total current assets		993,713	27,416,541	763,857	21,074,815
Non-current asset:					
Equipment	4	13,217	364,657	-	-
Total assets		1.006.930	27,781,198	763.857	21.074.815
LIABILITIES AND EQUITY					
Current liability:					
Other payables	5	692,192	19,097,577	289,539	7,988,381
Capital and reserves:					
Issued capital	6	50,000	1,379,500	50,000	1,379,500
Accumulated profits		264,738	7,304,121	424,318	11,706,934
Total equity		314,738	8,683,621	474,318	13,086,434
Total liabilities and equity		1,006,930	27,781,198	763,857	21,074,815

See accompanying notes to financial statements.

PROFIT AND LOSS STATEMENT

Year Ended March 31,

	Note	2006		2005	
		$	Rs.	$	Rs.
Revenue	7	3,798,920	104,812,203	1,737,222	47,929,955
Cost of sales		(620,722)	(17,125,720)	-	-
Gross profit		3,178,198	87,686,483	1,737,222	47,929,955
Other operating expenses	8	(3,338,003)	(92,095,503)	(1,724,880)	(47,589,439)
Other income		225	6,208	-	-
(Loss) Profit before income tax	9	(159,580)	(4,402,812)	12,342	340,516
Income tax expense	10	-	-	-	-
(Loss) Profit after income tax		(159,580)	(4,402,812)	12,342	340,516

STATEMENT OF CHANGES IN EQUITY

Year ended March 31, 2006

	Issued Capital		Accumulated Profits		Total	
	$	Rs.	$	Rs.	$	Rs.
Balance at April 1, 2004	50,000	1,379,500	411,976	11,366,417	461,976	12,745,917
Net profit for the year	-	-	12,342	340,516	12,342	340,516
Balance at March 31, 2005	50,000	1,379,500	424,318	11,706,933	474,318	13,086,433
Net loss for the year	-	-	(159,580)	(4,402,812)	(159,580)	(4,402,812)
Balance at March 31, 1006	50,000	1,379,500	264,738	7,304,121	314,738	8,683,621

See accompanying notes to financial statements.

CASH FLOW STATEMENT

Year ended March 31, 2006

	2006		2005	
	$	Rs.	$	Rs.
Cash flows from operating activities :				
(Loss) Profit before income tax	(159,580)	(4,402,812)	12,342	340,516
Adjustment for :				
Interest income	(223)	(6,152)	-	-
Allowance for doubtful debts	77,027	2,125,175	-	-
Depreciation expense	8,998	248,255	12,257	338,171
Operating profit before working capital changes	(73,778)	(2,035,534)	24,599	678,687
Trade receivables	(145,789)	(4,022,319)	(337,373)	(9,308,121)
Other receivables and prepayments	(31,269)	(862,712)	65,722	1,813,270
Other payables	402,653	11,109,196	251,512	6,939,216
Cash generated from operations	151,817	4,188,631	4,460	123,052
Interest received	113	3,118	-	-
Income tax paid	-	-	(28)	(773)
Net cash from operating activities	151,930	4,191,749	4,432	122,279
Cash flows used in investing activities :				
Increase in pledged fixed deposits	(113)	(3,118)	(20,000)	(551,800)
Purchase of equipment	(22,215)	(612,912)	(12,257)	(338,171)
Net cash used in investing activities	(22,328)	(616,030)	(32,257)	(889,971)
Net increase (decrease) in cash and cash equivalents	129,602	3,575,719	(27,825)	(767,692)
Cash and cash equivalents at beginning of year	50,531	1,394,150	78,356	2,161,842
Cash and cash equivalents at end of year (Note 1)	180,133	4,969,869	50,531	1,394,150

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

1. CASH AND BANK BALANCES

	2006		2005	
	$	Rs.	$	Rs.
Cash at bank	180,133	4,969,869	50,531	1,394,150
Pledged fixed deposits	20,113	554,918	20,000	551,800
	200,246	5,524,787	70,531	1,945,950

Cash and cash equivalents comprise cash held by the company. The carrying amounts of these assets approximate their fair values.

Fixed deposits bear interest at an average rate of 0.8% (2005 : 0.56%) per annum and are for a tenor of approximately 365 days (2005 : 365 days). The fixed deposits are pledged to a bank for the issuance of a bank guarantee.

2. TRADE RECEIVABLES

	2006		2005	
	$	Rs.	$	Rs.
Outside parties	204,798	5,650,376	675,944	18,649,295
Less allowance for doubtful debts	(77,027)	(2,125,175)	-	-
	127,771	3,525,201	675,944	18,649,295
Holding company	616,935	17,021,237	-	-
	744,706	20,546,438	675,944	18,649,295

3. OTHER RECEIVABLES AND PREPAYMENTS

	2006		2005	
	$	Rs.	$	Rs.
Staff advances	36,974	1,020,112	-	-
Deposits	6,827	188,357	5,527	152,491
Prepayments	2,150	59,319	3,492	96,344
Other receivables	2,810	77,528	8,363	230,735
	48,761	1,345,316	17,382	479,570

4. EQUIPMENT

	2006	
	$	Rs.
Cost :		
At April 1, 2004	-	-
Additions	12,257	338,171
At April 1, 2005	12,257	338,171
Additions	22,215	612,912
At April 31, 2006	34,472	951,083

NOTES TO FINANCIAL STATEMENTS (contd.)

4.EQUIPMENT (Contd.)

	2006	
	$	Rs.
Accumulated depreciation :	-	-
At April 1, 2004	12,257	338,171
Depreciation charge for the year	12,257	338,171
At April 1, 2005	8,998	248,255
Depreciation charge for the year	21,255	586,426
At March 31, 2006		
Carrying amount :		
At March 31, 2006	13,217	364,657
At March 31, 2005	-	-

5. OTHER PAYABLES

	2006		2005	
	$	Rs.	$	Rs.
Holding company	604,509	16,678,403	207,099	5,713,861
Other payables	87,683	2,419,174	82,440	2,274,520
	692,192	19,097,577	289,539	7,988,381

6. ISSUED CAPITAL

	2006	2005	2006		2005	
	Number of ordinary shares of $10 each		$	Rs.	$	Rs.
Authorised	10,000	10,000	1,00,000	2,759,000	1,00,000	2,759,000
Issued and paid :						
At beginning and end of year	5,000	5,000	50,000	1,379,500	50,000	1,379,500

7. REVENUE

	2006		2005	
	$	Rs.	$	Rs.
Rendering of services	3,798,920	1,04,812,203	1,737,222	47,929,955

8. OTHER OPERATING EXPENSES

	2006		2005	
	$	Rs.	$	Rs.
Staff costs	2,039,105	56,258,907	1,371,354	37,835,657
Marketing & administration support fees	604,510	16,678,431	-	-
Others	694,388	19,158,165	353,526	9,753,782
	3,338,003	92,095,503	1,724,880	47,589,439

NOTES TO FINANCIAL STATEMENTS (contd.)

9. (LOSS) PROFIT BEFORE INCOME TAX

	2006		2005	
	$	Rs.	$	Rs.
Directors' fees	2,000	55,180	2,000	55,180
Staff costs	2,039,105	56,258,907	1,371,354	37,835,657
Cost of defined contribution				
plans included in staff costs	41,774	1,152,545	14,276	393,875
Allowance for doubtful debts	77,027	2,125,175	-	-
Foreign exchange adjustment gain	(965)	(26,624)	(2,871)	(79,211)
Interest income from outside parties	(223)	(6,152)	-	-
Depreciation of equipment	8,998	248,255	12,257	338,171

10. INCOME TAX EXPENSE

	2006		2005	
	$	Rs.	$	Rs.
Current	-	-	-	-

The income tax (benefit) expense varied from the amount of income tax (benefit) expense determined by applying the Singapore income tax rate of 20% (2005 : 20%) to (loss) profit before income tax as a result of the following differences :

	2006		2005	
	$	Rs.	$	Rs.
Income tax (benefit) expense				
statutory rate	(31,916)	(880,562)	2,468	68,092
Deferred tax asset not recognised	31,916	880,562	-	-
Exempt income	-	-	(2,468)	(68,092)
Total income tax	-	-	-	-

The company has tax loss caryforwards available for offsetting against future taxable income as follows :

	2006		2005	
	$	Rs.	$	Rs.
Amount at beginning of year	-	-	-	-
Amount in current year	159,580	4,402,812	-	-
Amount at end of year	159,580	4,402,812	-	-
Deferred tax benefit on above not recorded	31,916	880,562	-	-

No deferred tax assets has been recognised in respect of the above due to the unpredictability of future profit streams.

Tech Mahindra (Thailand) Limited
(FORMERLY MBT (THAILAND) COMPANY LIMITED)

Board of Directors

1. Mr. Vineet Nayyar
2. Mr. C P Gurnani
3. Mr. Sonjoy Anand
4. Mr. Munish Kumar Managing Director

Registered Office

23rd Floor, M.Thai Towers
87, Wireless Road, Bangkok
Thailand

Bankers

HSBC Bank

Auditors

Audit Plus Limited, Thailand

CONTENTS	PAGE

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors present their Report together with the audited accounts of your Company for the period ended March 31, 2006.

FINANCIAL RESULTS

For the period ended March 31	2006	2006
	Thai Baht	INR
Income	NIL	NIL
Profit/(Loss) before tax	(3,397,196)	(3,906,775)
Profit/(Loss) after tax	(3,397,196)	(3,906,775)

REVIEW OF OPERATIONS

The Company started its operations during the year, therefore no income was recorded for the year. The Company continues to invest in strengthening its marketing infrastructure in Thailand which is identified as future growth area.

CHANGE OF NAME

During the year, the Company's name was changed from MBT (Thailand) Co. Limited to Tech Mahindra (Thailand) Limited. This was done in line with the change of name of the Parent Company, Tech Mahindra Limited.

OUTLOOK FOR THE CURRENT YEAR

The Company believes that there is good potential for growth in Thailand and the investments will begin to bear fruit in the near future.

ACKNOWLEDGEMENTS

Your Directors gratefully acknowledge the contributions made by the employees towards the success of the Company. Your Directors are also thankful for the co-operation and assistance received from its customers, suppliers, bankers, State and Federal Government Authorities and the shareholder.

April 6, 2006

Munish Kumar
Managing Director

REPORT OF THE INDEPENDENT AUDITOR

To The Shareholders of Tech Mahindra (Thailand), Ltd.

(Formerly named “MBT (Thailand) Co., Ltd.”)

I have audited the balance sheet of Tech Mahindra (Thailand) Co., Ltd. (Formerly named “MBT(Thailand) Co., Ltd.”) as at 31 March 2006, the related statements of income and changes in shareholders’ equity for the periods from 26 August 2005 to 31 March 2006. These financial statements are the responsibility of the Company’s management as to their correctness and completeness of presentation. 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. These 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 Tech Mahindra (Thailand) Co., Ltd. (Formerly named “MBT(Thailand) Co., Ltd.”) as at 31 March 2006, and the result of its operations for the periods from 26 August 2005 to 31 March 2006 in conformity with generally accepted accounting principles.

Without qualifying my opinion, I draw attention to note 5 to the financial statements. As at 31 march 2006, the company has capital deficiency of baht 397,196 (Indian Rupee 456,775). However, management of the company believe that it is appropriate to adopt the going concern basis in the preparation of financial statements as in year 2006 the company had not yet started commercial operations. In addition, the major shareholders of the company have given a letter of undertaking to provide adequate financial support to the company to enable it to continue its operations during the next fiscal year. As these financial statements have been prepared on a going concern basis, they do not include any adjustments relating to the recoverability and classification of liabilities that might be necessary should the company not be able to continue as a going concern.

MS. SULEEPORN TRIYAPRASERTPORN
Certified Public Accountant Registration No .5236

AUDIT PLUS LIMITED

Bangkok
6 April 2006

BALANCE SHEET AS AT MARCH 31, 2006

	Note	Baht	(Exchange rate 1 Baht = 1.15 INR) Indian Rupee
ASSETS			
CURRENT ASSETS			
Deposit at financial institutions		2,425,922	2,789,810
Other current assets		28,392	32,651
TOTAL CURRENT ASSETS		2,454,314	2,822,461
TOTAL ASSETS		2,454,314	2,822,461
LIABILITIES AND CAPITAL DEFICENCY			
CURRENT LIABILITIES			
Amount due to related companies	4	2,538,590	2,919,378
Accrued expenses		118,700	136,505
Other current liabilities		194,220	223,353
TOTAL CURRENT LIABILITIES		2,851,510	3,279,236
TOTAL LIABILITIES		2,851,510	3,279,236
LIABILITIES AND CAPITAL DEFICIENCY			
CAPITAL DEFICIENCY			
Share capital - common share at Baht 100 par value			
- Authorized 50,000 shares		5,000,000	5,750,000
- Issued and 60 percent paid up		3,000,000	3,450,000
Net loss for the period		(3,397,196)	(3,906,775)
CAPITAL DEFICIENCY		(397,196)	(456,775)
LIABILITIES NET OF CAPITAL DEFICIENCY		2,454,314	2,822,461

These financial statements are approved at the general shareholders' meeting of Tech Mahindra (Thailand) Limited dated on June 21, 2006

Munish Kumar
Managing Director

The notes to the financial statements form an integral part of these financial statements.

STATEMENT OF INCOME FOR THE PERIODS FROM AUGUST 26, 2005 TO MARCH 31, 2006

	Note	Baht	(Exchange rate 1 Baht = 1.15 INR) Indian Rupee
EXPENSES			
Administrative expenses		3,397,196	3,906,775
TOTAL EXPENSES		3,397,196	3,906,775
NET LOSS FOR THE PERIOD		(3,397,196)	(3,906,775)
BASIC LOSS PER SHARE			
Net loss		(67.94)	(78.13)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS FROM AUGUST 26, 2005 TO MARCH 31, 2006

LIABILITIES AND CAPITAL DEFICIENCY						(Exchange rate 1 Baht = 1.15 INR)
	Baht			Indian Rupee		
	Paid-up share capital	Net loss for the period	Total	Paid-up share capital	Net loss for the period	Total
Balance as at 26 August 2005	3,000,000	-	3,000,000	3,450,000	-	3,450,000
Net loss for the period	-	(3,397,196)	(3,397,196)	-	(3,906,775)	(3,906,775)
Balance as at 31 March 2006	3,000,000	(3,397,196)	(397,196)	3,450,000	(3,906,775)	(456,775)

Munish Kumar
Managing Director

The notes to the financial statements form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS AS AT MARCH 31 2006

1 GENERAL INFORMATION

Tech Mahindra (Thailand) Co., Ltd. (Formerly named "MBT(Thailand) Co., Ltd.") was registered as a limited company under the Thai Civil and Commercial Code on 26 August 2005. The Company is engaged in providing IT services and development for computer software. The address of the registered office is 87 M Thai Tower , 23rd Floor, All Seasons Place, Wireless Road, Lumpini, Phatumwan, Bangkok.

The Company's registered the change of its name from "MBT(Thailand) Co., Ltd." to "Tech Mahindra (Thailand) Co., Ltd." on 21 March 2006.

The information about the Company's employees for the periods from 26 August 2005 to 31 March 2006 are as follows:

	For the periods 26 Aug 05 to 31 Mar 06
Average number of employees (Persons)	5
Employee expenses (Million Baht)	1.87
Employee expenses (Million Indian Rupee)	2.15

2. BASIS OF FINANCIAL STATEMENT PREPARATION

The accompanying financial statements are prepared in accordance with the generally accepted accounting principles issued under the Accounting Act (B.E. 2543), being those Thai Accounting Standards issued under the Accounting Profession Act B.E. 2547.

3. SIGNIFICANT ACCOUNTING POLICIES

Expense recognition

Expenses are recognized on an accrual basis.

Foreign currency translation

Foreign currency amounts are translated for convenience into Indian Rupees at the exchange rate of Baht1 equal to INR 1.15 which is the market rate as on 31st March 2006

Basic loss per share

The basic loss per share is determined by dividing the net loss for the period by the weighted average number of common shares outstanding during the period.

Use of accounting estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

4. RELATED PARTY TRANSACTIONS

The Company has transactions with its related parties. These companies are related through common shareholding and/or directorship. Thus the financial statements reflect the effects of these transactions on the basis agreed upon between the Company and related companies which basis might be different from the transactions with unrelated companies.

The significant account balances with related parties as at 31 March 2006 are as follows:

(Exchange rate 1 Baht = 1.15 INR)

	Baht	Indian Rupee
Amount due to related companies		
Tech Mahindra Limited	2,538,590	2,919,378

5. THE COMPANY AS A GOING CONCERN

As at 31 March 2006, the Company has capital deficiency of Baht 397,196 (Indian Rupee 456,775). However, management of the Company believe that it is appropriate to adopt the going concern basis in the preparation of financial statements as in year 2006 the company had not yet started commercial operations. In addition, the major shareholders of the Company have given a letter of undertaking to provide adequate financial support to the Company to enable it to continue its operations during the next fiscal year. As these financial statements have been prepared on a going concern basis, they do not include any adjustments relating to the recoverability and classification of liabilities that might be necessary should the Company not be able to continue as a going concern.

Munish Kumar

Managing Director

Tech Mahindra Foundation

Board of Directors

1. Mr. Milind Kulkarni
2. Mr. Atanu Sarkar
3. Mr. Vikrant Gandhe

Registered Office

Oberoi Gardens Estate, Chandivali
Off Saki Vihar Road
Andheri (E)
Mumbai 400 072, India.

Bankers

Industrial Development Bank of India Ltd.

Auditors

B. K. Khare & Co.,
Chartered Accountants, Mumbai

CONTENTS	PAGE

DIRECTORS' REPORT

Your Directors present their First Annual Report of your Company for the period ended 31st March 2006.

FINANCIAL RESULTS

For the period ended March 31	2006
Income	30,308
Profit/(Loss) before tax	(34,942)
Profit/(Loss) after tax	(34,942)

INCORPORATION OF THE COMPANY

The Board is pleased to announce that the Company was formed on March 22, 2006 as a non-profit making organization, a `Section 25' Company in terms of the Companies Act, 1956.

As per the requirements of the Companies Act, 1956, the license for the organization was received from the Regional Director, State of Maharashtra on 20th March 2006 and the company was formed.

The Company was thus incorporated on March 22, 2006, as a 100% subsidiary of Tech Mahindra Limited.

RATIONALE FOR INCORPORATION

The Parent Company, Tech Mahindra Limited, has always played a vital role in the area of Corporate Social Responsibility. Keeping up with this, it was thought appropriate to incorporate such a company, which could concentrate on rendering assistance to the needy and under privileged people in the society.

FUTURE OBJECTIVES

Food, Shelter, Clothing and Education are the basic necessities for every person and therefore your company proposes to assist needy students and children with books, equipments, freeship / scholarship, educate them in public health care, sanitation, cleanliness and other related objects.

The Company plans assistance to indigent men, women and children; assistance for appropriate literacy and vocation training programs; provide shelter, education and medical care.

DIRECTORS

The first Directors of your Company are

1. Mr. Milind Kulkarni
2. Mr. Atanu Sarkar
3. Mr. Vikrant Gandhe

Pursuant to the provisions of the Articles of Association of the Company, all the Directors retire by rotation and being eligible offer themselves for re-appointment.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to section 217(2AA) of the Companies Act, 1956, your Directors, based on the representation received from the Operating Management, and after due enquiry, confirm that:

i. in the preparation of the annual accounts, the applicable accounting standards have been followed;

ii. they have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable and prudent judgments and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at 31st March 2006 and of the loss of the Company for the period ended on that date;

iii. 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. the annual accounts have been prepared on a going concern basis.

AUDITORS:

The Auditors, B.K.Khare & Co.,Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office, if re-appointed.

PARTICULARS OF EMPLOYEES:

The company did not have any employees during the period ended March 31, 2006.

ACKNOWLEDGEMENTS

The Board takes this as an opportunity to thank the promoters of the Company for their faith and patronage.

For and on behalf of the Board

Pune, April 6, 2006

Milind Kulkarni
Chairman

REPORT OF THE AUDITORS

To the Members of Tech Mahindra Foundation

We have audited the attached Balance Sheet of Tech Mahindra Foundation, as at 31st March 2006,and also the Income and Expenditure Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in 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.

1. As the Company is licensed under Section 25 of the Companies Act, 1956,the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India, in terms of Section 227(4A) of the Act does not apply to it, as per paragraph 1(2)(iii) of the said Order.
2. Further to our comments referred to in the paragraph 1 above, we report that:

   (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.

   (b) In our opinion, proper books of account as required by the law have been kept by the Company so far, as appears from our examination of the books.

   (c) The Balance Sheet and Income and Expenditure Account dealt by the report are in agreement with the books of account.

   (d) In our opinion, the attached Balance Sheet and Income and Expenditure Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act,1956

   (e) On the basis of the written representations received from the Directors as on 31st March,2006 and taken on the record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2006 from being appointed as Director in terms of clause (g) of sub section (1) of Section 274 of the Companies Act,1956.

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 notes, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

i) in the case of the Balance Sheet, of the state of affairs of the Company as on 31st March, 2006 and

ii) in the case of the Income and Expenditure Account of the deficit for the year ended on that date.

For B.K. Khare & Co.
Chartered Accountants

R.D.Onkar
(Partner)
M.No.45716

Place : Pune
Dated: April 06,2006

BALANCE SHEET AS AT MARCH 31, 2006

	Schedule	March 31,2006 Rupees
I. SOURCES OF FUNDS :		
Corpus Fund	I	150,500,000
TOTAL		150,500,000
II. APPLICATION OF FUNDS :		
CURRENT ASSETS, LOANS AND ADVANCES:	II	
Interest accrued (on bank deposit)		30,308
Cash and Bank Balances		150,495,000
		150,525,308
Less : CURRENT LIABILITIES AND PROVISIONS:		
Liabilities	III	60,250
		60,250
Net Current Assets		150,465,058
Deficit in Income and Exenditure Account		34,942
TOTAL		150,500,000
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	VI	

As per our attached report of even date

For B K Khare & Co.
Chartered Accountants

R.D. Onkar
(Partner)
M No . 45716

Pune, April 06, 2006

For Tech Mahindra Foundation

Mr. Milind Kulkarni
Chairman

Mr. Atanu Sarkar
Director

Pune , Dated : April 06, 2006

INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDED MARCH 31, 2006

	Schedule	March 31,2006 Rupees
INCOME	IV	30,308
TOTAL		30,308
EXPENDITURE :		
Operating and Other Expenses	V	65,250
TOTAL		65,250
Excess of expenditure over income		34,942
TOTAL		30,308
SIGNIFICANT ACCOUNTING POLICIES	VI	

As per our attached report of even date

For B K Khare & Co.
Chartered Accountants

For Tech Mahindra Foundation

R.D. Onkar
(Partner)
M No . 45716

Mr. Milind Kulkarni
Chairman

Mr. Atanu Sarkar
Director

Pune, April 06, 2006

Pune , Dated : April 06, 2006

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2006

	Rupees	As at March 31, 2006 Rupees
Schedule I		
Corpus Funds		
Share Capital		
Authorised :		
50,000 Equity Shares of Rs. 10/- each fully paid-up		500,000
Issued, Subscribed & Paid up :		
50,000 Equity Shares of Rs. 10/- each fully paid-up	500,000	
Specific Donations		
As per last Balance Sheet	-	
Add : Received during the period/year	150,000,000	
		150,500,000
	TOTAL	150,500,000

	Rupees	As at March 31, 2006 Rupees
Schedule II		
CURRENT ASSETS, LOANS AND ADVANCES :		
(a) Cash and Bank Balances :		
Balance with Scheduled banks : (i) In Current accounts	2,995,000	
(ii) In Fixed Deposit accounts	147,500,000	
		150,495,000
(b) Loans and Advances :		
Advances recoverable in cash or in kind or for		
value to be received........considered good	30,308	
........considered doubtful	-	
	30,308	
Less : Provision	-	
		30,308
		30,308
	TOTAL	150,525,308

	Rupees	As at March 31, 2006 Rupees
Schedule III		
CURRENT LIABILITIES :		
Sundry Creditors *		
Total outstanding dues to Small Scale Industrial Undertakings		-
Total outstanding dues of Creditors other than Small Scale Industrial Undertakings *		60,250
	TOTAL	60,250

SCHEDULES FORMING PART OF THE INCOME AND EXPENDITURE ACCOUNT

	Rupees	March 31,2006 Rupees
Schedule IV		
INCOME		
Interest on :		30,308
Deposits with banks		
(Tax deducted at source Rs.6,802)		
TOTAL		30,308

	Rupees	March 31,2006 Rupees
Schedule V		
OPERATING AND OTHER EXPENSES		
Professional fees		45,250
Donation		5,000
Audit Fees		15,000
TOTAL		65,250

Schedule VI

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2006

1. Significant accounting policies:

   (a) Basis for preparation of accounts:

   The accounts have been prepared to comply in all material aspects with applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) and the relevant provisions of the Companies Act, 1956.

   (b) Revenue recognition:

   Interest income is recognized on time proportion basis.

   (c) Donations :

   Donations received with a specific direction from the donors that they shall form part of the corpus /specific funds have been accounted for accordingly.

2. Pre-operative expenses have been charged off to the income & expenditure account fully in the year of incurrence of expences

3. Previous year's figures have not been presented being the first year of operation.

As per our attached report of even date

For B K Khare & Co.

Chartered Accountants

R.D.Onkar

(Partner)

M No: 45716

Pune, Dated : April 06, 2006

For Tech Mahindra Foundation

Mr. Milind Kulkarni — Chairman

Mr. Atanu Sarkar — Director

Pune, Dated : April 06, 2006

BALANCE SHEET ABSTRACT AND THE COMPANY'S GENERAL BUSINESS PROFILE :

I. Registration Details

Registration Number	11-171544N	State Code	11
Balance Sheet date	31	03	2006
	Date	Month	Year

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

Public Issue	Rights Issue
Nil	Nil
Bonus Issue	Private Placements
Nil	500

III. Position of Mobilisation and deployment of funds (Amounts in Rs. Thousands)

Total Liabilities (including shareholders' funds)	Total Assets
150,500	150,500
Paid-up Capital	Reserves and Surplus
500	NIL
Secured Loans	Unsecured Loans
NIL	NIL
Net Fixed Assets	Investments
NIL	NIL
Net Current Assets	Deferred Tax Asset
150,465	NIL
Accumulated Losses	
35	

IV. Performance of Company (Amount in Rs. Thousand)-N.A.

Turnover (Sales and Other Income)	Total Expenditure
Profit/(Loss) Before Tax	Profit/(Loss) After Tax
Earning per Share in Rs.	
(Refer Note 18 above)	Dividend Rate %
NA	NIL

V. Generic Names of Three Principal Products/Service of Company (as per monetary terms)

Item Code (ITC Code)-N.A .

Product Descriptio- N.A .

As per our attached report of even date

For Tech Mahindra Foundation

Mr. Milind Kulkarni
Chairman

Mr. Atanu Sarkar
Director

Place: Pune
Dated :April 6, 2006

Tech Mahindra (R&D Services) Limited
(Formerly Axes Technologies (India) Private Limited)

Board of Directors

1. Mr. Vineet Nayyar, Chairman
2. Mr. Paul Pandian
3. Mr. C P Gurnani
4. Mr. Sanjay Kalra
5. Mr. Sunil Joshi

Registered Office

9/7, Hosur Road
Bangalore 560 029, India

Bankers

State Bank of India
HDFC Bank

Auditors

Narayanan, Patil & Ramesh
Chartered Accountants, Bangalore

CONTENTS PAGE

DIRECTORS' REPORT

Your Directors present their Eleventh Annual Report together with the audited Accounts of the Company for the year ended 31st March 2006.

FINANCIAL RESULTS (Rupees Mn)

For the year ended March 31,	2006	2005
Income	1,291.64	1,187.69
Depreciation	163.76	55.81
Profit Before Tax & Extra Ordinary items	141.37	140.53
Provision for Taxation	50.02	2.97
Provision for Deferred Taxes	19.61	4.38
Provision for Fringe Benefit Tax	3.65	-
Extra Ordinary Items	(178.11)	Nil
Profit/(Loss) after Tax	(70.79)	133.18
APPROPRIATIONS		
Transfer to General Reserve	Nil	133.18
Proposed dividend (Equity)	Nil	83.49
Dividend Distribution tax	Nil	10.91
Profit Carried forward to Balance Sheet	630.34	701.14

Despite difficult market conditions and increased competition, income for the year marginally grew up to Rs. 1,291.64 Mn as compared to Rs. 1,187.69 Mn in the previous year, an increase of 9%. Net loss after tax for the year was Rs. 70.79 Mn compared to a profit of Rs. 133.18 Mn in the previous year. The Profits have declined sharply on account of the extra ordinary items for contractual payment to Alcatel and acquisition related expenses. Your Company remains committed to delivering shareholders' value through increased business, control over cost and better profitability.

STATUS OF THE COMPANY AFTER ACQUISITION:

The Company became a subsidiary of Tech Mahindra Limited (Formerly Mahindra-British Telecom Limited). With the acquisition of the Company, Tech Mahindra Limited now holds more than 99% of the paid up share capital of the Company.

CHANGE OF NAME AND CONVERSION OF THE COMPANY FROM PRIVATE TO PUBLIC LIMITED:

In order to be identified with the parent Company, your Company's name was changed from Axes Technologies (India) Private Limited to Tech Mahindra (R & D Services) Private Limited. Further the status of the Company was changed from Private Limited to Public Limited. Subsequently the name of the Company was changed to Tech Mahindra (R&D Services) Limited.

INCREASE IN SHARE CAPITAL:

During the year under review, the Company issued shares in terms of the ESOP plan. Consequently the paid up share capital of the Company has increased from Rs. 42.18 Mn to Rs. 46.03 Mn

DIVIDEND:

In order to further strengthen the financials of the Company, your Directors do not recommend any dividend for the year under review.

DIRECTORS' REPORT (contd.)

HUMAN RESOURCE MANAGEMENT:

Recognizing the value of human resources as the Company's growth potential, your company has been focusing on development and management of human resources in the Company. The Company has put in place a scalable recruitment and human resource management process, enabling it to attract and retain high caliber employees. Your Company added 274 employees during the year.

The Company recognizes the fact that to grow and compete in an extremely fierce competitive environment it needs to retain and grow the best talent in the industry. Number of steps were taken during the year to further strengthen the HR Processes within the Company.

FIXED DEPOSITS:

Your Company has not accepted any fixed deposits and, as such, no amount of principal or interest was outstanding as on the balance sheet date.

FINANCE:

The Company continues to deploy its surplus liquidity primarily in debt oriented schemes of different reputed mutual funds. Such investments are made on the twin objective of capital preservation and optimization of returns. A part of the temporary surplus funds are also invested in liquid/short term schemes of mutual funds.

The Company keeps a close watch on the developments in forex market and obtains forward covers in respect of its receivables as and when deemed necessary.

SUBSIDIARY COMPANIES :

The Company has its Subsidiaries in Singapore and USA. During the year under review, both the subsidiaries changed their names From Axes Technologies Inc. to Tech Mahindra (R & D Services) Inc. and Axes Technologies (Asia Pacific) Pte. Ltd. to Tech Mahindra (R & D Services) Pte. Ltd.

CONSOLIDATED FINANCIAL STATEMENTS:

The consolidated Financial Statements of the Company and its subsidiaries are attached.

In accordance with Accounting Standard 21- Consolidated Financial statements, form part of this Report. The Consolidated accounts have been prepared on the basis of audited financial statements received from the Subsidiary Companies as approved by their respective Boards.

INTERNAL CONTROL SYSTEMS AND ADEQUACY:

Your Company has an adequate system of internal control commensurate with the size of the Company and the nature of its business which ensures that transactions are recorded, authorized and reported correctly apart from safeguarding its assets against loss from wastage, unauthorized use and disposition.

The internal control system is supplemented by well documented policies, guidelines and procedures. An extensive programme of internal audit by a firm of chartered accountants and management review of the same is in place.

DIRECTORS :

Mr. Paul Pandian, Mr. S Udaya Kumar, Dr. M V Pitke and Mr. Jay Whitehurst resigned from the Board consequent to Tech Mahindra Limited (formerly Mahindra-British Telecom Limited) acquiring majority stake in the Company. The Board was reconstituted with the appointment of Mr. Vineet Nayyar, Mr. Paul Pandian, Mr. C P Gurnani, Mr. Sunil Joshi and Mr. Sanjay Kalra as Additional Directors on 28th November 2005. They all hold office upto the completion of ensuing Annual General Meeting. Company has received notices from shareholders in terms of Section 257 of the Companies Act, 1956 proposing their candidature for the office of Director along with the required deposit. Your Directors commend their appointment.

DIRECTORS' REPORT (contd.)

AUDITORS:

The Auditors, Narayanan, Patil & Ramesh, Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office, if re-appointed.

CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

1.Conservation of Energy:

The operations of your Company are not energy-intensive. However, adequate measures have been taken to reduce energy consumption by using energy-efficient computers and by the purchase of energy-efficient equipment with latest technologies. Your company constantly evaluates new technologies and invests in them to make its infrastructure more energy efficient. Currently your Company uses CFL fittings to reduce the power consumption of fluorescent tubes. Energy saving Air conditioners have been acquired for effectiveness. As energy costs comprise a very small part of your company's total expenses, the financial impact of these measures is not material.

2.Research & Development (R&D):

Research and development of new services, designs, frameworks, process and methodologies continue to be of importance to the Company. This allows your Company to increase quality, productivity and customer satisfaction through continuous innovation.

3. Foreign Exchange earnings and outgo:

Major portion of the income of the company is through exports, the earnings and outgo of foreign exchange is as under :

(Rupees Mn)

For the year ended March 31	2006	2005
Foreign Exchange Earnings	1,184.69	901.65
Dividend from Subsidiary	4.86	4.57
Foreign Exchange outgo:-		
I) Revenue items	52.15	23.75
II) Capital Items	11.87	6.81

PARTICULARS OF EMPLOYEES:

As required under Section 217(2A) of the Companies Act, 1956, and the Rules made there under, a statement containing particulars of the Company's employees who were in receipt of remuneration of not less than Rs. 2,400,000 during the year ended 31st March 2006, or of not less than Rs. 200,000 per month, if, employed for part of the year, is given in the Annexure to this Report.

The Department of Company Affairs, has amended the Companies (Particulars of Employees) Rules, 1975 to the effect that particulars of employees of companies engaged in Information Technology sector posted and working outside India not being directors or their relatives, drawing more than Rs. 2,400,000 per financial year or Rs. 200,000 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 included in this report does not contain the particulars of employees who are posted and working outside India.

DIRECTORS' REPORT (contd.)

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to section 217(2AA) of the Companies Act, 1956, your Directors, based on the representation received from the Operating Management, and after due enquiry, confirm that:

I. in the preparation of the annual accounts, the applicable accounting standards have been followed;

II. they have, in the selection of the accounting policies, consulted the Statutory Auditors and these have been applied consistently and reasonable and prudent judgments and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at 31st March 2006 and of the loss of the Company for the year ended on that date;

III. 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. the annual accounts have been prepared on a going concern basis.

ACKNOWLEDGEMENTS:

The Directors thank Alcatel, vendors, investors, bankers for their continued support during the year. Your directors place on record their sincere appreciation of the contribution made by the employees at all levels, who through their competence, hard work, solidarity, co-operation and support, have enabled the company to achieve consistent growth.

Your directors thank the Government of India, particularly the Department of Electronics, the Customs and Excise departments, the Software Technology parks, Bangalore, Chennai, the Ministry of Commerce, the Ministry of Finance, the Reserve Bank of India, VSNL, the Department of Telecommunications, the State Governments and other Government agencies for their support and look forward to their continued support in the future.

For and on behalf of the Board

Vineet Nayyar
Chairman

Bangalore, May 2, 2006

AUDITORS' REPORT

To the members of TECH MAHINDRA (R & D SERVICES) LIMITED (formerly Axes Technologies (India) Private Limited)

1. We have audited the attached Balance Sheet of TECH MAHINDRA (R & D SERVICES) LIMITED, as at 31st March 2006 and also the Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these Financial Statements based on our audit.
2. We conducted our audit in accordance with Auditing Standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors Report) Order, 2003, issued by the Central Government of India, in terms of Sub-ction (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to in 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 such books.
   c) The Balance Sheet, 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, Profit and Loss Account and Cash Flow Statement dealt with this report comply with the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956.
   e) On the basis of written representations received from the Directors and taken on record by the Board of Directors, we report that none of the Directors of the company are disqualified as on 31.03.2006 from being appointed as Directors of the company under clause (g) of sub section (1) of Section 274 of Companies Act, 1956.
   f) In our opinion and to the best of our information and according to the explanations given to us, the accounts together with the notes thereon give the information required under the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the Accounting Principles generally accepted in India:
      i) In the case of Balance Sheet, of the state of affairs of the company as at 31st March 2006.
      ii) In the case of Profit and Loss Account, of the Loss for the year ended on that date.
      iii) In the case of Cash Flow Statement, of the cash flows for the year end ed on that date.

for Narayanan, Patil and Ramesh
Chartered Accountants

Place : Bangalore,
Date : April 26, 2006

L R Narayanan
Partner

ANNEXURE TO AUDITORS' REPORT

Annexure referred to in paragraph 3 of the Auditors' Report to the members of TECH MAHINDRA (R & D SERVICES) LIMITED for the period ended 31st March 2006. We report that:

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

(b) All the fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification.

(c) During the year, the company has not disposed off any major part of Plant & Machinery that would affect the Going Concern status of the Company.

(ii) (a) According to the information and explanations given to us the provision of Clause 4(ii) is not applicable, as the company has no inventory.

(iii) (a) According to the information and explanations given to us, the company has neither granted nor taken any loans, secured or unsecured, to or from any companies, firms or other parties covered in the register maintained under section 301 of the Act. Hence provision of clause 4(iii) is not applicable.

(iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business, with regard to purchase of inventory, fixed assets and for the sale of goods to the extent applicable to the company. During the course of audit, we have not observed any continuing failure to correct major weaknesses in internal controls.

(v) (a) According to the information and explanations given to us, we are of the opinion that the contracts or arrangements that need to be entered into a register in pursuance of section 301 of the Companies Act, 1956 have been so entered.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

(vi) According to the information and explanations given to us, the company has not accepted deposits from the public and hence, the directives issued by the Reserve Bank of India and the provisions of Sections 58A and 58AA or any other relevant provisions of the Act and the rules framed there under, are not applicable to the Company.

(vii) In our opinion, the company has an internal audit system commensurate with it's the size and nature of its business.

(viii) According to the information and explanations given to us the provision of clause 4(viii) is not applicable.

(ix) (a) The company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Income Tax, Wealth Tax, Service Tax, Sales Tax, and any other statutory dues applicable to it.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax and other material statutory dues were in arrears, as at 31.03.2006 for a period of more than six months from the date they became payable.

According to the information and explanations given to us, there are no dues of Income Tax, Sales Tax, Service Tax and Wealth Tax which have not been deposited with appropriate authorities on account of any dispute excepting the below mentioned.

Name of the Statute	Nature of Dues	Disputed Amount	Period to which the amount related	Forum where dispute is pending
Income Tax Act	Income Tax	5.51 Lacs	AY 2003-04	Assessing Officer

(x) According to the information and explanations given to us the provision of clause 4(x) is not applicable.

(xi) In our opinion, and according to the information and explanations given to us, the Company does not have any outstanding dues to any financial institution or banks during the year.

(xii) In our opinion, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Hence, maintenance of records is not applicable.

(xiii) In our opinion, the company is not a chit fund or *nidhi* mutual benefit fund / society and therefore, the provisions of clause 4(xiii) of the Order are not applicable to the company.

(xiv) According to the information and explanations given to us, the company is not dealing in or trading in shares, securities, debentures and other investments and accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the company.

(xv) In our opinion and according to the information and explanations given to us, the company has not given guarantees for loans taken by others from banks accordingly, the provisions of clause 4(xv) of the Order is not applicable to the company.

(xvi) In our opinion and according to the information and explanations given to us, the company has not taken any term loans from banks and therefore, the provisions of clause 4(xvi) of the Order are not applicable to the company.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment.

(xviii) According to the information and explanations given to us, the Company has not made any preferential allotment of shares during the year to parties and companies covered in the Register maintained under Section 301 of the Act and therefore, the provisions of clause 4(xviii) of the Order are not applicable to the company.

(xix) According to the information and explanations given to us, the Company has not issued any debenture and therefore, the provisions of clause 4(xix) of the Order are not applicable to the company.

(xx) According to the information and explanations given to us, the provisions of Clause 4(xx) of the Order are not applicable to the company since the company has not raised any money through public issue of shares.

(xxi) 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 Narayanan, Patil and Ramesh
Chartered Accountants

Place : Bangalore,
Date : April 26, 2006

L R Narayanan
Partner

BALANCE SHEET

	Schedule	As at March 31,2006 Rupees	As at March 31,2005 Rupees
SOURCES OF FUNDS :			
SHAREHOLDER'S FUNDS :			
Share Capital	I	46,033,500	42,184,000
Share Application Money		-	768,500
Reserves and Surplus	II	943,067,570	977,768,497
Defered Tax Liability		_	19,614,933
	TOTAL	989,101,070	1,040,335,930
APPLICATION OF FUNDS :			
FIXED ASSEST :	III		
Gross Block		626,390,629	633,120,873
Less : Dpreciation		365,698,141	225,408,769
Net Block		260,692,488	407,712,104
Capital Work-In-Progress, including Advances		4,972,560	4,321,563
		265,665,048	412,033,667
INVESTMENTS	IV	385,518,566	321,874,725
CURRENT ASSETS, LOANS AND ADVANCES :	V		
Sundry Debtors		450,322,119	285,844,324
Cash And Bank Balances		75,183,954	27,813,645
Loans and Advances		34,479,286	31,161,223
		559,985,359	344,819,192
Less : CURRENT LIABILITIES AND PROVISIONS :			
Liabilities	VI	164,260,719	9,141,595
Provisions	VII	57,807,184	29,250,059
		222,067,903	38,391,654
Net Current Assets		337,917,456	306,427,538
	TOTAL	989,101,070	1,040,335,930
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	XI		

As per our attached report of even date

For Narayanan, Patil & Ramesh
Chartered Accountants

L R Narayanan
Partner
Membership No. 25588
Bangalore
Date : April 26, 2006

For Tech Mahindra (R & D Services)Limited

Mr. Vineet Nayyar
Director

Mr. C.P.Gurnani
Director

Mrs. Sudha Rani
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED

	Schedule	March 31,2006 Rupees	March 31,2005 Rupees
INCOME	VIII	1,291,637,469	1,187,687,486
EXPENDITURE :			
Personnel	IX	451,317,600	335,546,204
Operating and Other Expenses	X	535,191,718	655,800,030
Depreciation		163,754,942	55,810,934
	TOTAL	1,150,264,260	1,047,157,168
PROFIT BEFORE TAXATION		141,373,209	140,530,318
Provision for Taxation			
- Current tax		50,020,000	2,965,000
- Defered tax		(19,614,933)	4,382,688
- Fringe benefit tax		3,650,000	-
PROFIT AFTER TAXATION		107,318,142	133,182,630
Acquisition related expenses		(61,566,480)	-
Contractual Compansation Payment		(116,543,616)	-
PROFIT FOR THE YEAR AFTER TAXATION		(70,791,954)	133,182,630
Balance brought forward from previous Year/period		701,135,168	675,677,278
Balance available for appropriation		630,343,214	808,859,908
Interim Divident		-	83,494,756
Divident Tax		-	10,911,721
Tranfer to General Reserve		-	13,318,263
Balance Carried to Balance Sheet	TOTAL	630,343,214	701,135,168
Earning Per Share(Refer Note 10 of Notes to Accounts)			
- Basic		(7.93)	15.95
- Diluted		(7.69)	14.58
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	XI		

As per our attached report of even date

For Narayanan, Patil & Ramesh
Chartered Accountants

L R Narayanan
Partner
Membership No. 25588
Bangalore
Date : April 26, 2006

For Tech Mahindra (R & D Services)Limited

Mr. Vineet Nayyar
Director

Mr. C.P.Gurnani
Director

Mrs. Sudha Rani
Company Secretary

CASH FLOW FOR THE PERIOD ENDED

	Particulars	Rupees	March 31,2006 Rupees	March 31,2005 Rupees
A	Cash Flow From Operating Activities			
	Net Profit before taxation		141,373,209	140,530,318
	Adjustments for :			
	Depreciation	163,754,942		55,810,934
	Loss on sale of Fixed Assets (net)	1,012,079		(89,898)
	Decrease in fair value of Long Term Investments	249,999		2,815,585
	Acquisition related expenses	(61,566,480)		-
	Contractual Compensation Payment	(116,543,616)		-
	Dimunition in the value of investments	114,429		-
	Exchange gain (net)			
	Dividend from Current Investments	(14,909,064)		(22,090,193)
	Employee Compensation Expense on ESOP	36,091,027		100,632,473
	Interest Income	(2,124,137)		(1,974,212)
	(Profit) / Loss on Sale of Investments	(31,833,639)	-	
			(25,754,460)	135,104,689
	Operating profit before working capital changes		115,618,749	275,635,007
	Adjustments for :			
	Trade and other receivables	(158,817,517)		(70,867,426)
	Trade and other payables	163,930,219		(8,313,123)
			5,112,703	(79,180,549)
	Cash generated from operations		120,731,452	196,454,459
	Direct Taxes		(37,902,311)	(3,155,393)
	Net cash from operating activities		82,829,141	193,299,066
B	Cash flow from investing activities			
	Purchase of Fixed assets	(18,720,450)		(35,930,924)
	Purchase of Investments (net)	(64,008,269)		(18,467,498)
	Sale of Fixed Assets	322,046		475,351
	Interest Received	2,124,136		1,974,212
	Dividend / Profit on current investments received	46,742,704		22,090,193
	Net cash from investing activities		(33,539,833)	(29,858,666)
C	Cash flow from financing activities			
	Proceeds from issue of Shares (including Share Premium)	3,081,000		1,301,500
	Share Application Money		-	
	Dividend (including Dividend Tax Paid)	(5,000,000)		(158,427,397)
	Net cash from Financing activities		(1,919,000)	(157,125,897)
	Net increase / (Decrease) in cash and cash equivalents (A+B+C)		47,370,308	6,314,502
	Cash and cash equivalent at the beginning of the period		27,813,646	21,499,143
	Cash and cash equipments at the end of the Period		75,183,954	27,813,646

As per our attached report of even date

For Narayanan, Patil & Ramesh
Chartered Accountants

L R Narayanan
Partner
Membership No. 25588
Bangalore
Date : April 26, 2006

For Tech Mahindra (R & D Services)Limited

Mr. Vineet Nayyar
Director

Mr. C.P.Gurnani
Director

Mrs. Sudha Rani
Company Secretary

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at March 31, 2006 Rupees	As at March 31,2005 Rupees
Schedule I		
SHARE CAPITAL :		
Authorised :		
1,20,00,000 Equity Shares of Rs. 5/- each	60,000,000	60,000,000
	60,000,000	60,000,000
Issued and Subscribed : 92,06,700 Equity Shares of Rs. 5/- each(Previous Year : 84,36,800 Equity Shares of Rs. 5/- each)	46,033,500	42,184,000
Paid-up : 92,06,700 Equity Shares of Rs. 5/- each(Previous Year : 84,36,800 Equity Shares of Rs. 5/- each)	46,033,500	42,184,000
TOTAL	46,033,500	42,184,000

	As at March 31,2006 Rupees		As at March 31,2005 Rupees	
Schedule II RESERVES AND SURPLUS :				
General Reserve :				
As per Last Balance Sheet	60,834,856		47,516,593	
Add : Transfer From Profit and Loss Account	-		13,318,263	
		60,834,856		60,834,856
Securities Premium :				
As per Last Balance Sheet	99,592,400		84,242,000	
Add : Additions during the year	152,297,100		15,350,400	
		251,889,500		99,592,400
Balance in Profit and Loss Account		630,343,214		701,135,168
ESOP Outstanding		-		116,206,073
TOTAL		943,067,570		977,768,497

SCHEDULES FORMING PART OF THE BALANCE SHEET (contd.)

Schedule III
FIXED ASSETS
April 1, 2005 to March 31, 2006

(Figures in INR)

	GROSS BLOCK					DEPRECIATION						NET BLOCK	
Description of Assets	Cost as at March, 31 2005	Additions during the period	Deductions during the period	Regrouping	Cost as at March, 31 2006	Upto March, 31 2005	Restatement on Change of Method	Acc Depn SLM- Upto March, 31 2005	For the period	Deductions during the Period	Up to March,31 2006	As at March,31 2006	As at March, 31 2005
Land	91,374,785	-	-	-	91,374,785	-	-	-	-	-	-	91,374,785	91,374,785
Building	182,445,917	-	-	-	182,445,917	29,221,245	12,668,607	41,889,852	11,734,349	-	53,624,201	128,821,716	153,224,672
Plant & Machinery													
- Computers	103,660,587	10,423,124	6,786,913	(440,849)	106,855,949	65,569,030	7,369,911	72,938,941	22,121,344	5,466,689	89,593,596	17,262,353	38,091,557
- Electrical Installation	48,307,454	292,599	-	37,675	48,637,728	22,326,509	16,425,148	38,751,657	6,241,095	-	44,992,752	3,644,975	25,980,945
- Others	65,278,761	619,377	511,119	-	65,387,019	31,832,934	22,171,875	54,004,809	6,835,085	511,119	60,328,775	5,058,244	33,445,827
Software Purchase	15,217,119	219,091	15,877,059	440,849	-	5,378,224	10,279,744	15,657,968	219,091	15,436,210	-	-	9,838,895
Furniture & Fixtures	105,324,992	4,284,813	230,634	(15,451)	109,363,720	59,144,947	26,330,166	85,475,113	13,068,793	216,733	98,327,173	11,036,544	46,180,045
Office Equipments	12,688,596	502,204	-	(22,224)	13,168,576	6,076,036	4,021,443	10,097,479	1,468,694	-	11,566,173	1,602,403	6,612,560
Vehicles	8,822,660	1,728,245	1,393,970	-	9,156,935	5,859,840	1,533,480	7,393,321	1,266,117	1,393,970	7,265,468	1,891,467	2,962,820
Total	633,120,871	18,069,453	24,799,695	-	626,390,629	225,408,765	100,800,374	326,209,140	62,954,568	23,024,721	365,698,138	260,692,488	407,712,106
Capital Work-in-progress	4,321,563	650,997	-	-	4,972,560	-	-	-	-	-	-	4,972,560	4,321,563
											Total	265,665,048	412,033,669

SCHEDULES FORMING PART OF THE BALANCE SHEET (contd.)

	As at March 31, 2006 Rupees		As at March 31, 2005 Rupees	
Schedule IV				
INVESTMENTS (AT COST)				
Long Term (unquoted)				
Trade:				
In Subsidiary Companies :				
5,00,000 Ordinary Shares of US$ 0.01 each fully paid-up of Tech Mahindra (R & D Services) Inc, USA	234,900		234,900	
Less : Provision for Dimunition	-		-	
		234,900		234,900
2,40,000 Shares of SGD 1 each, Face Value SGD 2,40,000 fully paid-up of Tech Mahindra (R & D Services) Pte Limited, Singapore	6,307,200		6,307,200	
Less : Dimunition in Investments	6,307,199		6,057,200	
		1		250,000
		234,901		484,900
Current Investments				
Non Trade :				
Indira Vikas Patra	-		500	
DSPML Liquidity Fund-Institutional Plan (38,867.528 Units Of Face Value Rs 1000, Market Value Rs. 38,875,302)	38,875,302		-	
Tata Fixed Horizon Fund - Series III (46, 00,000 Units Of Face Value Rs 10, Market Value Rs 46,273,240)	46,000,000		-	
DSPML Fixed Term Plan Series 3C (2,00,000 Units Of Face Value Rs 1000, Market Value Rs. 200,000,000)	200,000,000		-	
DSPML Fixed Term Plan-Series One B (100407.993 Units Of Face Value 1000 Each, Market Value Rs 100,499,032.)	100,408,363		-	
DSPML Equity Fund	-		487,517	
DSPML Floating Rate Fund	-		534,526	
Franklin India Prima Fund	-		-	
HDFC Capital Builder Fund	-		1,335,920	
HDFC Cash Management Savings Plus	-		-	
HDFC Multiple Yield Fund	-		-	

SCHEDULES FORMING PART OF THE BALANCE SHEET (contd.)

	As at March 31, 2006 Rupees		As at March 31, 2005 Rupees	
ICICI Discovery Fund	-		-	
ICICI Emerging Star Fund	-		-	
ICICI Infrastructure Fund	-		-	
Prudential ICICI Floating Rate Plan C	-		-	
SBI Magnum Sectorfund	-		-	
SBIMF Magnum Institutional Income Fund	-		-	
Sundaram Select Midcap	-		-	
Birla Advantage Fund Plan A-F/N 1011291668	-		4,145,377	
Birla Bond Plus-F/N 1011291668	-		100,000	
Birla Fixed Maturity Plan	-		22,496,114	
Franklin India Prima Funds-F/N 0019900795595	-		2,000,000	
GFRF- Long Term Plan-F/N 228090/65	-		36,000,000	
HDFC Balanced Fund	-		4,001,110	
HDFC Cash Management Savings Plus-F/N 1154426/91	-		596,671	
HDFC Equity Fund-F/N 1154426/19	-		2,206,652	
HDFC Floating Rate Fund-Short Term-F/N 1154426/91	-		22,000,000	
HDFC Multiple Yield Fund-F/N 1154426/9	-		20,000,000	
HSBC Equity Fund-Dividend-F/N 77982	-		2,399,508	
HSBC Income Fund Short Term-F/N 54582	-		546,486	
Prudential ICICI Floating Rate Plan--F/N 692775/94	-		28,506,236	
Reliance Equity Opportunities Fund	-		9,938,200	
Reliance Fixed Term Scheme-F/N 4194186012	-		54,000,000	
Reliance Fixed Term Scheme-Plan 15/16-Fn 4195907815	-		10,000,000	
Reliance Fixed Term Scheme-Qrtl Plan (Series Viii)	-		12,000,000	
Reliance Growth Fund-F/N 4195094864	-		10,487,820	
Reliance Index Fund	-		4,941,700	
Tata Infrastructure Fund	-		5,000,000	
Tata Liquid Fund-F/N 441364/55	-		1,642,844	
Tata Opportunity Equity Fund-F/N 441364/55	-		3,000,000	
Tata Short Term Bond Fund-F/N 441364/55	-		212,487	
Temepleton Floating Income Fund-F/N 1529900771364	-		1,362,263	
Templeton Flexi-Cap Fund	-		4,820,000	
Templeton India Treasury-F/N 0149900795595	-		55,915,364	
Tata Consultancy Services Limited	-		497,250	
Punjab National Bank	-		215,280	
3I Infotech Limited	-		-	
		385,283,665		321,389,825
TOTAL		385,518,566		321,874,725

SCHEDULES FORMING PART OF THE BALANCE SHEET (contd.)

	As at March 31, 2006 Rupees		As at March 31, 2005 Rupees	
Schedule V				
CURRENT ASSETS, LOANS AND ADVANCES :				
Current Assets :				
(A) Sundry Debtors :				
(Unsecured)				
Debts outstanding for a period exceeding Six months :				
: Considered good		-		-
: Considered doubtful		-		-
Other Debts : : Considered good		450,322,119		285,844,324
: Considered doubtful		-		-
		450,322,119		285,844,324
Less : Provision		-		-
		450,322,119		285,844,324
(B) Cash and Bank Balances :				
Cash In hand	868,984		752,226	
Balance with scheduled Banks :				
(i) In current Account	8,276,130		9.902,679	
(Ii) In Fixed Deposit Accounts	66.038,840		17,158,740	
Balance With Other Banks :				
In Current accounts	-		-	
		75,183,954		27,813,645
(C) Loans And Advances :				
(Unsecured)				
Advances recoverable in cash or in kind or for				
Value to be received (i) Considered good	34,479,286		31,161,224	
(Ii) Considered Doubtful	-		-	
	34,479,286		31,161,224	
Less : Provision	-		-	
		34,479,286		31,161,224
TOTAL		559,985,359		344,819,193

SCHEDULES FORMING PART OF THE BALANCE SHEET (contd.)

	As at March 31, 2006 Rupees	As at March 31, 2005 Rupees
Schedule VI		
CURRENT LIABILITIES :		
Sundry Creditors :	164,260,719	9,141,595
TOTAL	164,260,719	9,141,595
Schedule VII		
PROVISIONS:		
Provision for taxation (net of payments)	18,357,058	1,548,560
Provision for wealth tax	32,776	35,000
Provision for Gratuity	10,600,001	5,902,665
Provision for Leave Encashment	28,817,349	21,763,834
TOTAL	57,807,184	29,250,059

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT

		As at March 31, 2006 Rupees		As at March 31, 2005 Rupees
Schedule VIII				
INCOME :				
Income from services (net)		1,215,020,926		1,156,374,299
(Tax deducted at source Rs. 5,00,535)				
(previous period Rs.73,829)				
Interest on :				
Deposits with banks	1,783,895		1,471,544	
(Tax deducted at source Rs.4,04,653)				
(previous period Rs.3,01,737)				
Interest on Staff Loans	340,241		502,668	
		2,124,136		1,974,212
Dividend received on current investments (non - trade)		14,909,064		15,901,168
Profit on sale of current investments		31,833,639		6,184,490
Exchange fluctuations (Net)		13,228,351		4,193,558
Miscellaneous income		14,521,353		3,059,759
TOTAL		1,291,637,469		1,187,687,486
Schedule IX				
PERSONNEL :				
Salaries, Wages and Bonus		404,913,943		299,625,301
Contribution to provident and other funds		27,362,163		18,457,654
Staff welfare		19,041,494		17,463,249
TOTAL		451,317,600		335,546,204

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT (contd.)

		As at March 31, 2006 Rupees		As at March 31, 2005 Rupees
Schedule X				
OPERATING AND OTHER EXPENSES :				
Power		37,732,943		34,305,455
Rent		23,239,723		25,468,724
Rates and taxes		3,274,204		2,227,156
Communication expenses		10,024,774		8,208,422
Travelling expenses		87,827,934		95,603,556
Recruitment expenses		268,738		378,888
Hire charges		5,561,779		4,625,615
Repairs and maintenance :				
Buildings (including leased premises)	40,017		-	
Machinery	4,434,169		3,937,890	
Others	1,258,901		1,350,374	
		5,733,087		5,288,264
Insurance		4,821,351		5,808,222
Professional fees		4,478,509		6,288,205
Software packages		841,800		-
Training		2,469,183		3,527,470
Advertising, marketing and selling expenses		70,110		1,789,363
Onsite fees		72,339,106		-
Marketing fees		203,521,349		333,477,641
Loss on sale of fixed assets (Net)		1,012,079		(89,898)
ESOP Compensation written Off		36,091,027		100,632,473
Dimunition in the value of Investments		364,428		2,815,585
Advances / bad debts written off		(65,380)		3,668,657
Exchange fluctuations (Net)		5,968,688		-
Miscellaneous expenses *		29,616,286		21,776,232
TOTAL		535,191,718		655,800,030

* includes Printing and stationery expenses,hospitality expenses, office maintenance, etc.

SCHEDULE FOR NOTES ON ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2006

I. SIGNIFICANT ACCOUNTING POLICIES:

1. Basis for Preparation of Financial Statements :

The Financial statements are prepared under the historical cost convention, in accordance with generally accepted accounting principles and the provisions of the Companies Act, 1956, as adopted consistently by the company. All income and expenditure having a material bearing on the financial statements are recognized on the accrual basis.

2. Use of Estimates :

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting yearend. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these Estimates.

Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. Impairment occurs where the carrying value exceeds the present value of future cash flows expected arise from the continuing use of the asset and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sale price or present value as determined above. Contingencies are recorded when it is probable that a liability will be incurred, and the amount can be reasonably estimated. Actual results could differ from these estimates.

3. Revenue Recognition :

Revenue is recognized upon completion of milestones described in customer orders wherever payments are linked to such milestones. In cases where payments are based on completion of each man-month of service rendered, revenue is recognized upon completion of each man-month of service.

Income from fixed income bearing investments/advances is recognized on time basis considering the amount invested/advanced and the rate of interest.

Income from training is recognized over the period of instruction.

Dividend income is recognized when the company's right to receive the dividend is established. Profit on sale of investments is recognized on transfer of title from the company and is determined as the difference between the sale price and the carrying value of the investment.

4. Expenditure :

Expenses are accounted on the accrual basis and provisions are made for all known losses and liabilities.

5. Foreign Currency Transaction :

Foreign currency transactions during the year are translated at the exchange rates prevailing on the date of transaction.

Current Assets and Current Liabilities outstanding in foreign currency as on the date of the Balance Sheet are translated at exchange rates prevailing as on the last day of the relevant financial year. Differences arising out of rate fluctuations are charged to revenue accounts.

The Company uses foreign exchange forward contracts to hedge its exposure to movement in foreign exchange rates. The Use of these foreign exchange forward contracts reduces the risk or cost to the company and the company does not use the foreign exchange contracts for trading or speculation purposes. The company records the gain or loss on effective hedges over the period of forward contract and is transferred to the profit and loss account of that period.

6. Fixed Assets :

Fixed assets are stated at cost of acquisition, less accumulated depreciation. All Direct costs are capitalised till the assets are ready to be put to use. Capital Work-in-progress is stated at cost.

7. Depreciation :

The Company has changed its accounting policy on method of depreciation with effect from 01st April 2005 and has adopted the Straight Line Method of depreciation in place of Written Down Value Method.

Depreciation in respect of Fixed Assets, is provided adopting straight-line method over the useful life of the asset as estimated by the management. Depreciation for the assets purchased/sold during the period is proportionately charged. Individual low cost assets (acquired for less than Rs.5,000/-) are entirely depreciated in the year of acquisition. The useful life of all the assets estimated by the management are as below:

Buildings	15 years
Computers	3 years
Plant and machinery	3-5 years
Furniture and fixtures	5 years
Vehicles	5 years

8. Retirement Benefits :

Gratuity: in accordance with the Payment of Gratuity Act, 1972, company provides for gratuity, a defined benefit retirement plan (the Gratuity Plan) covering eligible employees. The gratuity plan provides a lump-sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the employee salary and the tenure of employment. Liabilities with regard to the gratuity plan are determined by actuarial valuation, based upon which the company contributes all the ascertained liabilities to the 'Axes Technologies Gratuity Trust'. Trustees administer contributions made to the trust and contributions are invested in the specific designated instruments, as permitted by law.

Provident Fund : Eligible employees receive benefits from a provident fund, which is a defined contribution plan. Both the employees and the company make monthly contributions to the provident fund plan equal to a specified percentage of the covered employes' salary.

9. Investments :

Investments are categorized into Long Term Investments and Current Investments. Long Term Investments are stated at cost unless there is a decline, other than temporary, in value thereof in which case the recorded value is reduced to recognize the decline. Current Investments are carried at lower of Cost or Fair Market value as on the date of Balance Sheet.

10. Income Taxes and Deferred Taxes :

The differences that result between the profit offered for income taxes and the profit as per the financial statements are identified, and thereafter a deferred tax asset or deferred tax liability is recorded for timing differences, namely the differences that originate in one accounting period and reverse in another, based on the tax effect of the aggregate amount being considered. The tax effect is calculated on the accumulated timing differences at the end of an accounting period based on prevailing enacted or substantially enacted regulations. Deferred tax assets are recognized only if there is reasonable certainty that they will be realized and are reviewed for the appropriateness of their respective carrying values at each balance sheet date.

11. Earnings per Share :

Basic earning per share is computed by dividing net income by the weighted average number of common stock outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earning per share, and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. The diluted potential equity shares are adjusted for the proceeds receivable, had the shares been actually issued at fair value (i.e., the average market value of the outstanding shares). Diluted potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

12. Cash Flow Statement :

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating; financing and investing activities of the company are segregated.

13. Events occurring after the date of Balance Sheet :

Material events occurring after date of Balance Sheet are taken into cognizance.

II. NOTES ON ACCOUNTS
for the year ended March 31, 2006
(forming an integral part of accounts)

1. Corporate Transaction :

During the current period, the Shareholders of the Company have entered into a Share Purchase Agreement with M/s. Tech Mahindra Limited (TML) (formerly M/s. Mahindra British Telecom Limited) on 15th November 2005, under which, 99.93% of the shares of the Company are sold to TML under the terms of the Share Purchase Agreement entered into between the said Shareholders, the Company and the TML. Consequent to the said Share Purchase Agreement and the recording of the transfer of shares in favour of TML, the company would become a wholly-owned subsidiary of TML.

2. Change in Method of charging depreciation :

The Board of Directors of the company in the meeting held on 20th October, 2005 have changed the Accounting Policy of the company in respect of charging Depreciation with effect from 1st April, 2005. The Company was following Written Down Value Method of charging the depreciation at the rates as prescribed under Schedule XIV of Companies Act, 1956. Pursuant to the Board resolution changing the Accounting Policy the Company has changed the method of charging Depreciation on Fixed Assets, from Written Down Value Method to Straight Line Method over the useful lives of the assets as determined by the management, retrospectively, from the date of inception.

Depreciation on Fixed Assets has been calculated as per new method retrospectively for all the assets of the Company. As a result of such change, the Company has recognized the additional depreciation amounting to Rs.10,08,00,375/- and the same is charged to Profit and Loss Account as a separate item for the current period and accordingly disclosed separately in the Profit and Loss Account. Had the Company continued to charge the depreciation according to the old method, the charge of depreciation for the current year would have been Rs 4,71,94,339/- and hence the net profit for the year has been reduced to the extent of Rs 11,65,60,603/-.

3. Share Capital :

During the current year, 7,69,900 Equity Shares of Rs.5/- each, were issued and allotted at Rs.5/- each, amounting to Rs.38,49,500/- to Employees of the Company and its Subsidiaries.

The Issued, Subscribed & Paid up Equity Capital as at the end of the year includes the allotment of equity shares, fully paid-up issued by way of Bonus shares, 50,00,000 equity shares of Rs.5/- each totaling to Rs.2,50,00,000/-

4. Fixed Assets :

The Company possesses Assets worth Rs. 15,915.17 Lakhs whose ownership does not vest with the Company and are in use by the company on a "Loan basis". No entries are passed in the books of the Company in respect of these Assets. The Details of such Fixed Assets are as below :

II. NOTES ON ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2006 (FORMING AN INTEGRAL PART OF ACCOUNTS) (contd.)

Name of the Party	Amount (Rs. Lakhs)
Alcatel Inc., USA	14,574.20
Motorola	443.79
Ipgen Inc	85.55
Coppercom	109.33
Paradyne	232.72
Ulticom	30.82
Others	438.76
Total	15,915.17

5. Contingent Liability :

Amt. In Rs. Lakhs

Particulars	2005-2006	2004-2005
a) Towards Bank Guarantees given to Government Authorities	200.00	167.20
b) Estimated amount of contracts remaining to be executed on capital account and not provided for	6.92	40.20
c) Claims from Statutory Authorities	20.50	15.00

6. Foreign Exchange Inflow and Outflow :

The Foreign Exchange Inflow and Outflow of the Company during the year was as follows:

Inflow	2005-2006	2004-2005
Towards Software Sales	Rs. 116,23,89,182/- (US$ 2,62,32,522/-)	Rs. 89,66,55,763/- (US$ 1,98,70,664/-)
Towards reimbursement of expenses	Rs. 2,07,85,011/- (US$ 4,71,114.75)-	Rs. 44,58,417/- (US$ 1,01,568/-)
Towards Dividends	Rs. 48,58,500/- (US$ 1,00,000/-)	Rs. 45,65,000/- (US$ 1,00,000/-)
Towards Share Capital	Rs. 15,18,936/- (US$ 34,824.84/-)	Rs. 5,33,000/- (US$ 12,174.50)
Outflow	**2005-2006**	**2004-2005**
Revenue Items (Travel, Marketing)	Rs. 52,13,35,035/- (US$ 119,08,326/-)	Rs. 23,75,48,741/- (US$ 53,26,669/-)
Capital Items purchased	Rs. 118,74,776/- (US$ 2,69,526/-)	Rs. 68,15,570/- (US$ 1,51,164/-)
Dividend	Rs. 50,00,000/- (US$ 114207/-)	Rs. 1,82,05,479/- (US$ 4,06,494/-)

7. Employee Stock Option Plan :

During the previous years, the Company had granted 4,23,000 employee stock options to the employees of Tech Mahindra (R & D Services) Pte Limited, Singapore (formerly Axes Technologies (Singapore) Pte Ltd) and Tech Mahindra (R& D Services) Inc, USA (formerly Axes Technologies Inc), subsidiaries of the company as per terms enunciated in the "Axes ESOP Plan-1" and had forfeited 6,500 options.

Also the company had granted 4,92,600 employee stock option to its own employees as per the terms enunciated in the "Axes ESOP Plan-1" and had forfeited 21,500 options during previous years.

The excess of fair market value (as determined by the Board) of the underlying equity shares as of the date of the grant of the options over the exercise price of the options, including up-front payments, if any, is recognized and amortized on a straight line basis over the vesting period. The amortization during the current period on this basis, including the reversal on forfeited options, amounts to a sum of Rs. 3,60,91,027/-, which is shown separately in Schedule X to the Profit & Loss Account. The said amortization includes amount recognized as expense relating to accelerated vesting on the options on account of the corporate transaction.

Out of the options granted during the previous years, all the employees have exercised and the company has allotted 466,300 shares to employees of Tech Mahindra (R & D Services) Limited at face value of Rs.5/- per share & the company has allotted 303,600 shares to employees of Tech Mahindra (R & D Services) Inc at face value of Rs.5/- per share.

A sum of Rs.15,22,97,100/- has been recognized as securities premium, representing the difference between the fair market value of the shares (as determined by the Board) and the issue price per share.

Number of options granted, exercised and forfeited during the Year for employees of Tech Mahindra (R & D Services) Inc

Particulars	Year ended on	
	March 31 2006	March 31 2005
Options outstanding at the beginning of the year	309,900	214,750
Granted	Nil	208,250
Less: Exercised	303,600	106,600
Forfeited	6,300	6,500
Options outstanding at the end of the year	Nil	309,900

II. NOTES ON ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2006 (FORMING AN INTEGRAL PART OF ACCOUNTS) (contd.)

Number of options granted, exercised and forfeited during the Year for employees of the Company.

Particulars	Year ended on	
	31.03.2006	31.03.2005
Options outstanding at the beginning of the year	471,100	Nil
Granted	Nil	492,600
Less: Exercised	466,300	Nil
Forfeited	4,800	21,500
Options outstanding at the end of the year	Nil	471,100

8. Deferred Taxation :

During the year, the company has accounted for Rs19,614,933/- towards reversal of opening Deferred Tax Liability in accordance with AS 22-Accounting for Taxes on Income and has considered the same as a reversal to profit and loss account. This is consequent to the change in depreciation policy of the Company.

The company has during the year, a deferred tax Asset on account of difference in depreciation charged as per Company books and as per Income Tax Act. Considering prudence, in the absence of certainty of future taxable income from some of the undertakings, the company has not recognized any Deferred tax asset in respect of such depreciation difference.

9. Segmental Reporting :

The company's operations predominantly relate to providing IT services delivered to eventual customers in the United States of America and operating in the telecom industry segment. Accordingly, IT services Revenues are represented along single industry class represents the primary basis of segmental information and the geographical location of customers represents the Secondary segment of reporting.

During the current period the financials of the company represent a single Primary segment (Telecom industry). With respect to the Secondary segment, the company's Revenues would represent two segments in terms of Geography USA & Domestic.

In view of the fact that the primary segment is represented by a single segment and in the case of the Secondary Segment, the Revenues from the Domestic segment is less than 0.73% of the total Revenues of the company the providing of Segmental Information is not applicable to the company.

II. NOTES ON ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2006 (FORMING AN INTEGRAL PART OF ACCOUNTS) (contd.)

10. Earnings Per share :

Particulars	Period ended on	
Equity Share of par value Rs.5/- each	March 31 2006	March 31 2005
Basic	(7.93)	15.95
Diluted	(7.69)	14.58
Number of shares used in computing earnings per share		
Basic	89,29,163	8,349,477
Diluted	92,11,368	9,132,244

11. Related Party Disclosure :

A. Details of Related Parties as at the end of current year are given below:

1) Holding Companies	Tech Mahindra Limited
2) Subsidiary Companies	1. Tech Mahindra (R & D Services) Inc., USA. 2. Tech Mahindra (R & D Services) Pte Ltd, Singapore
3) Associate Companies	1. Transglobal Technologies Inc., USA 2. Ipgen Technologies India Private Limited 3. Ipgen Technologies Inc., USA 4. Tech Mahindra (Singapore) Pte Ltd, Singapore 5. Tech Mahindra (Americas) Inc, USA 6. Tech Mahindra GmbH, Germany 7. Tech Mahindra (Thailand) Limited, Thailand
4) Whole Time Directors	1. Mr. Vineet Nayyar 2. Mr. Paul Pandian 3. Mr. C P Gurnani 4. Mr. Sanjay Kalra 5. Mr. Sunil Joshi

B. Summary of Transactions with Related Parties are as below :

Amt in Rs. Lakhs

Particulars	TMRDS USA	TMRDS Singapore	Trans-Global Inc	Ipgen USA
Capital Assets taken on loan basis as at end of the year	Nil	Nil	Nil	85.55
Amount of sale of materials / services rendered during the year	12,061.67	Nil	Nil	Nil
Amount of purchase of materials / services received during the year	2,758.60	Nil	Nil	Nil
Amount receivable / (payable) at the end of the year	4,488.46	Nil	Nil	Nil
Investments made by the company outstanding at the end of the year	2.35	63.07	Nil	Nil

Details with respect to remuneration to Directors are disclosed in Note 15 below.

12. Extra-ordinary Items shown in Profit and Loss Account :

During the current year, pursuant to the Corporate transaction entered into by the shareholders of the company, the Company has incurred the following expenses in the nature of extraordinary items and the same is disclosed separately in the financial Statements:

The Company has incurred a total sum of Rs.615.66 Lakhs in relation to transfer of shares from the erstwhile share holders to TML. The amount spent is in the nature of consultancy fees and other transfer related expenses.

13. Contractual Compensation under Client Contracts :

During the relevant period, the company has entered into an addendum to the Development Agreement with its principal Client - Alcatel Inc, USA, whereby in lieu of securing current and future Contracts from the said Client and certain modifications to certain terms of the original Development Agreement, the Company has provided for a sum of Rs.1165.44 Lakhs, as payable to the said M/s Alcatel Inc, USA. This has been disclosed Separately as an extraordinary item in the Financial Statements.

14. Auditor's Remuneration :

Auditor's remuneration debited to Profit & Loss Account during the year are as follows;

Particulars	2005-06	2004-05
Audit Fees	3,37,340	1,89,000
Tax Audit Fees	50,000	37,800
Certification &		
Other Services	3,27,896	43,200

15. Managerial remuneration paid to the Chairman and Vice Chairman :

Paul Pandian (Chairman)	Rs. 5,62,500/-
S Udaya Kumar (Vice Chairman)	Rs. 12,00,000/-

16. CIF Value of imports during the period is Rs. 1,156.09 Lakhs. (Previous Year 1,490.78)

17. Amount shown as Miscellaneous expenses in Schedule X Operating Expenses includes Prior period expenses of Rs.3,75,224 (Previous Year. Rs 2,38,468/-).

18. Quantitative details :

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

19. As at the end of current year, the company had no outstanding dues to small -scale industrial undertakings in Excess of Rs.1,00,000/-.

20. Previous year figures have been regrouped and reclassified wherever necessary.

As per our attached report of even date

For Narayanan, Patil & Ramesh
Chartered Accountants

L R Narayanan
Partner
Membership No. 25588
Bangalore
Date : April 26, 2006

For Tech Mahindra (R & D Services)Limited

Mr. Vineet Nayyar
Director

Mr. C.P.Gurnani
Director

Mrs. Sudha Rani
Company Secretary

PART IV
BALANCE SHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE

Registration Details	
a. Registration No.	18673
b. State Code	08
c. Balance Sheet Date	Mar 31, 2006
Capital Raised during the year:	
a. Public Issue	NIL
b. Rights Issue	NIL
c. Bonus Issue	NIL
d. Private Placement	3,849,500
Position of mobilisation and deployment of funds	
a. Total Liabilities	989,101,070
b. Total Assets	989,101,070
Sources of funds	
- Paid Up Capital	46,033,500
- Reserves & Surplus	943,067,570
- Deferred Taxation	NIL
- Secured Loans	NIL
- Unsecured Loans	NIL
Application of funds	
- Net Fixed Assets	265,665,048
- Investments	385,518,566
- Net Current Assets	559,985,359
- Misc.Expenditure	NIL
Performance of Company	
Total Income	1,291,637,469
Total Expenditure	1,328,374,356
Profit / Loss before Tax	(36,736,887)
Profit / Loss after Tax	(70,791,954)
Earnings per share in Rs.	-7.93
Dividend Rate (%)	NIL
Generic name of principal products/service of the Company	
Item code no. (ITC code)	8524490.02
Product description	Computer software

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

A. Name of the Subsidiary	Tech Mahindra (R&D Services) Inc.	Tech Mahindra (R&D Services) Pte Ltd.
B. Financial year of the Subsidiary ended on	March, 31 2006	March, 31 2006
C. The Company's interest in the subsidiary on the aforesaid date.		
a) Number of shares held	The Company held the entire common stock of aggregate value of USD 5000	2,40,000 Ordinary Shares
b) Face value per share	USD 0.01	SGD 1.00
c) Extent of Holding	100%	60%
D. The net aggregate of the Profit/(Losses) of the Subsidiary so far it concerns the members of the Company		
a) Not dealt with in the accounts of the Company amounted to		
1. For the Subsidiary's financial year ended as in “B” above	USD 225,718	SGD (6,613)
2.For the Previous financial years of the subsidiary since it became Company's subsidiary	USD 195,800	SGD (13,429)
b) Dealt with in the accounts of the Company amounted to		
1. For the Subsidiary's financial year ended as in “B” above	NA	NA
2. For the Previous financial years of the subsidiary since it became Company's subsidiary	NA	NA

For Tech Mahindra (R & D Services)Limited

Mr. Vineet Nayyar
Director

Mr. C.P.Gurnani
Director

Bangalore
Date : April 26, 2006

Mrs. Sudha Rani
Company Secretary

Tech Mahindra (R & D Services) Inc.
(Formerly Axes Technologies Inc.)

Board of Directors

1. Mr. Paul Pandian
2. Mr. C P Gurnani
3. Mr. Sanjay Kalra

Registered Office

2711 Centreville Road, Suite 400.
Wilmington Delaware 19808
U.S.A.

Bankers

J P Chase

Auditors

Hector Homero Flores,
Certified Public Accountants

CONTENTS

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Directors present their Report together with the audited accounts of your Company for the year ended 31st March 2006.

FINANCIAL RESULTS

For the year ended March 31	2006 USD	2006 INR	2005 USD	2005 INR
Income	6,233,686	278,396,419	7,417,082	331,246,882
Profit/(Loss) before tax	352,850	15,758,288	326,389	14,576,533
Profit/(Loss) after tax	225,719	10,080,576	195,800	8,744,428

REVIEW OF OPERATIONS

During the fiscal year, the Company achieved sales of US$ 6.23 million, with a decline of 16% over the sales of previous year.

ACQUISITION OF THE COMPANY

The Company became a step-down subsidiary of Tech Mahindra Limited (Formerly Mahindra-British Telecom Limited), with the acquisition of its Parent Company, Tech Mahindra (R&D Services) Limited (Formerly Axes Technologies (India) Private Limited).

CHANGE OF NAME

In order to be identified with the parent Company, your Company's name was changed from Axes Technologies Inc. to Tech Mahindra (R & D Services) Inc.

OUTLOOK FOR THE CURRENT YEAR

Your Company invested in cultivating long term relationships with major telecom companies. The Company believes that there is potential growth in USA and the long term investments will begin to bear fruit in the near future.

ACKNOWLEDGEMENTS

Your Directors gratefully acknowledge the contributions made by the employees towards the success of the Company. Your Directors are also thankful for the co-operation and assistance received from its customers, suppliers, bankers, State and Federal Government Authorities and the shareholder.

April 3, 2006

Paul Pandian
Director

INDEPENDENT AUDITOR'S REPORT

To:

Tech Mahindra (R & D Services), Inc.

I have audited the accompanying balance sheets of Tech Mahindra (R & D Services), Inc. (a Delaware corporation wholly owned by Tech Mahindra (R & D Services) Pvt. Ltd.) as of March 31, 2006 and 2005, and the related statements of income, retained earnings, and cash flows for the years 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 audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. 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 audits provide a reasonable basis for my opinion.

In my opinion the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Tech Mahindra (R & D Services), Inc. as of March 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Hector Homero Flores

April 3, 2006

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

Tech Mahindra (R & D Services), Inc.

My report on my audits of the basic financial statements of Tech Mahindra (R&D Services), Inc., a wholly owned subsidiary of Tech Mahindra (R & D Services) Pvt. Ltd, an India corporation, for 2006 and 2005 appear on page 1. I conducted my audits in accordance with the U.S. generally accepted auditing standards for the purpose of forming an opinion on the basic financial statements taken as a whole. The information on pages 10-15 is presented for purposes of additional analysis and are not a required part of the basic financial statements. It has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Foreign Currency amounts in the supplemental schedules are translated for convenience into Indian Rupees at the exchange rate of Rs 44.66 to 1.00 USD, which is the average of telegraphic buying and selling rate quoted by the Mumbai Branch of the State Bank of India on March 31, 2006.

Hector Homero Flores

April 3, 2006

SUPPLEMENTAL BALANCE SHEETS

FOR THE YEARS ENDED MARCH 31,

	2006 USD	2006 INR	2005 USD	2005 INR
Assets				
Current Assets				
Cash	2,730,852	121,959,860	898,285	40,117,408
Due from parent	-	-	26,968	1,204,391
Prepaid expenses	68,269	3,048,896	75,644	3,378,261
Total Current Assets	2,799,121	125,008,755	1,000,897	44,700,060
TOTAL ASSETS	2,799,121	125,008,755	1,000,897	44,700,060
Liabilities & Shareholder's Equity				
Liabilities				
Current Liabilities				
Accounts payable	35,290	1,576,059	62,523	2,792,277
Accrued liabilities	257,642	11,506,316	207,323	9,259,045
Due to parent	1,580,819	70,599,395	-	-
Dividends payable	-	-	100,000	4,466,000
Income tax payable	68,600	3,063,672	-	-
Total Current Liabilities	1,942,352	86,745,442	369,846	16,517,322
Total Liabilities	1,942,352	86,745,442	369,846	16,517,322
Shareholders' Equity				
Common stock, $.01 par value,				
Authorized 500,000 shares;				
issued 500,000 shares	5,000	223,300	5,000	223,300
Retained earnings	851,769	38,040,013	626,051	27,959,438
Total Shareholder's Equity	856,769	38,263,313	631,051	28,182,738
Total Liabilities & Equity	2,799,121	125,008,755	1,000,897	44,700,060

See accompanying notes to financial statements.

SUPPLEMENTAL STATEMENTS OF STOCKHOLDER'S EQUITY

For the years ended March 31,

	2006 USD		2006 INR		2005 USD		2005 INR	
	Common Stock	Retained Earnings	Common Stock	Retained Earnings	Common Stock	Retained Earnings	Common Stock	Retained Earnings
Balance, beginning of year	5,000	626,051	223,300	27,959,438	5,000	530,251	223,300	23,681,010
Net income	-	225,718	-	10,080,576	-	195,800	-	8,744,428
Dividends declared	-	-	-	-	-	(100,000)	-	(4,466,000)
Balance, end of year	5,000	851,769	223,300	38,040,013	5,000	626,051	223,300	36,891,438

See accompanying notes to financial statements.

SUPPLEMENTAL STATEMENTS OF INCOME

For the years ended March 31,

	2006 USD	2006 INR	2005 USD	2005 INR
Revenues	6,233,686	278,396,419	7,417,082	331,246,882
Expense				
Software development	3,154,692	140,888,542	4,624,151	206,514,584
General and administrative	1,721,868	76,898,612	1,875,792	83,772,871
Sales and marketing	1,004,276	44,850,978	590,750	26,382,895
Total Expense	5,880,836	262,638,132	7,090,693	316,670,349
Net income before income taxes	352,850	15,758,288	326,389	14,576,533
Provision for income taxes	127,132	5,677,712	130,589	5,832,105
Net income	225,718	10,080,576	195,800	8,744,428

See accompanying notes to financial statements.

SUPPLEMENTAL STATEMENTS OF CASH FLOWS

For the years ended March 31,

	2006 USD	2006 INR	2005 USD	2005 INR
Operating Activities				
Net income	225,718	10,080,576	195,800	8,744,428
Adjustments to reconcile net income				
to net cash provided by operations:				
Decrease in due from parent	26,968	1,204,391	452,596	20,212,937
Decrease (Increase) in prepaid expenses	7,375	329,368	(31,515)	(1,407,460)
Decrease in accounts payable	(27,233)	(1,216,226)	(131,096)	(5,854,747)
Increase in accrued liabilities	50,319	2,247,247	162,133	7,240,860
Increase in income tax payable	68,600	3,063,676	(15,736)	(702,770)
Increase in due to parent	1,580,820	70,599,421	-	-
Net cash provided by operating activities	1,932,567	86,308,452	632,182	28,233,248
Cash Flows from financing activities:				
Dividends paid on common stock	(100,000)	(4,466,000)	(100,000)	(4,466,000)
Net cash used by financing activities	(100,000)	(4,466,000)	(100,000)	(4,466,000)
Net cash increase for period	1,832,567	81,842,452	532,182	23,767,248
Cash and cash equivalents at beginning of year	898,285	40,117,408	366,103	16,350,160
Cash and cash equivalents at end of year	2,730,852	121,959,860	898,285	40,117,408
Supplemental Disclosure of Cash Flow Information				
Cash Paid During the Period for Taxes	71,135	3,176,889	160,040	7,147,386

See accompanying notes to financial statements.

SUPPLEMENTAL NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED MARCH 31, 2006 AND 2005

1) Summary of Significant Accounting Policies

a) Business and Nature of Operations

Tech Mahindra (R & D Services), Inc. (Company), formerly known as Axes Technologies, Inc., is a Delaware corporation formed in 2001 for the purpose of providing technology staffing services to Tech Mahindra (R & D Services) Pvt. Ltd. (TMI), formerly known as Axes Technologies (India) Private Limited. Company performs marketing, managerial and administrative functions needed to service the TMI customers based in the United States.

b) Reporting Entity

The accompanying financial statements do not include the assets, liabilities and net assets of Tech Mahindra (R & D Services) Pvt. Ltd.

c) Basis of Accounting

The financial statements of the Company have been prepared on the accrual basis of accounting.

d) Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States requires the use of estimates and assumptions

regarding certain types of assets, liabilities, revenue and expenses. Such estimates primarily relate to unsettled transaction and events as of the date of the financial

statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

e) Cash Equivalents

For the purpose of reporting cash flows, the Company considers all cash in banks to be cash equivalents.

f) Revenue Recognition

A transfer pricing study performed established that a net operating margin in the range of 4.88% to 8.59% with a median of 6.03% was a reliable profit level indicator. Based on this study Axes recognizes revenue that will result in a net operating margin in accordance with the transfer pricing study.

2) Income Taxes

The components of income tax expense are as follows:

	2006 USD	2006 INR	2005 USD	2005 INR
Current				
State	3,919	175,021	15,819	706,477
Federal	123,213	5,502,691	114,770	5,125,628
	127,132	5,677,712	130,589	5,832,105

3) Commitments and Contingencies

The Company leases office space and equipment, which are, classified as operating leases. A summary of future commitments on the leases is as follows as of March 31,

	Office Space		Equipment	
	USD	INR	USD	INR
2006	234,084	10,483,347	32,600	1,455,916
2007	189,259	8,452,307	17,964	802,272
2008	189,259	8,452,307	1,144	51,091
2009	189,259	8,452,307		
2010	189,259	8,452,307		
2011	78,858	3,521,798		
Total	1,069,978	47,814,373	51,708	2,309,279

4) Related Party Transactions

The Company performs administrative, managerial and marketing duties on behalf of TMI. One of these specific functions is to provide billing and collection services. In providing these services the Company receives payment for services provided by TMI to its customers based in the United States. These funds are received by the Company and transmitted to TMI. The Company invoices TMI for expenses incurred in performing its administrative, managerial and marketing functions.

The Company collects amounts due from customers and remits these funds to TMI in total. The Company in turn invoices TMI for the cost of operating plus a profit as described in Note 1(f). As of March 31, 2006 and 2005 the intercomany amounts are as follows:

	2006 USD	2006 INR	2005 USD	2005 INR
Due to India	11,946,958	533,551,144	10,904,962	487,015,602
Due From Customers	(8,443,594)	(377,090,898)	(6,351,255)	(283,647,048)
Due from India for Operating Expenses	(1,922,545)	(85,860,851)	(4,580,675)	(204,572 945)
Due to (From) Parent	1,580,819	70,599,395	(26,968)	(1,204,391)

Tech Mahindra (R&D Services) Pte. Limited
(Formerly Axes Technologies (Asia Pacific) Pte. Limited)

Board of Directors

1. Mr. Paul Pandian
2. Mr. Sonjoy Anand
3. Mr. Sunil Joshi
4. Mr. Saeed Ullah Khan

Registered Office

460, Alexandra Road,
#24-05 PSA Building
Singapore 119 963

Bankers

HSBC Bank

Auditors

Y. C. Foo & Co.,
Certified Public Accountants, Singapore

CONTENTS	PAGE

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their report together with the audited accounts of the company for the financial year ended 31 March 2006.

DIRECTORS OF THE COMPANY

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

Saeed Ullah Khan	
Paul Chelliah Pandian	
Sonjoy Anand	(appointed on 28.11.2005)
Sunil Joshi	(appointed on 28.11.2005)
Masillamoney Paul Premraj	(resigned on 28.11.2005)

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTEREST IN SHARES OR DEBENTURES

According to the register of directors' shareholdings required to be kept by the company under Section 164 of the Companies Act, Cap. 50, none of the directors who held office at the end of the financial year had any interest in the shares of the company.

DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit which is required to be disclosed by Section 201(8) of the Companies Act, Cap. 50 by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

SHARE OPTIONS GRANTED

No options were granted during the financial year to take up unissued shares of the company.

SHARE OPTIONS EXERCISED

No shares were issued by virtue of the exercise of options to take up unissued shares of the company during the financial year.

UNISSUED SHARES UNDER OPTION

There were no unissued shares under option at the end of the financial year.

AUDITORS

The auditors, Y C Foo & Co, Certified Public Accountants, Singapore, have indicated their willingness to accept re-appointment.

On behalf of the directors

Saeed Ullah Khan

Paul Chelliah Pandian

Singapore

May 23, 2006

STATEMENT BY DIRECTORS

We, the undersigned, being directors of TECH MAHINDRA (R & D SERVICES) PTE. LIMITED (Formerly known as Axes Technologies (Asia Pacific) Pte Ltd), do hereby state that in our opinion:-

a) The accompanying financial statements are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 March 2006 and of the results of the business, changes in equity and cash flows of the company for the financial Year then ended on that date.

b) At the date of this statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

On behalf of the directors

Saeed Ullah Khan

Paul Chelliah Pandian

Singapore

May 23, 2006

REPORT OF THE AUDITORS TO THE MEMBERS OF TECH MAHINDRA (R & D SERVICES) PTE. LIMITED

We have audited the accompanying balance sheet of TECH MAHINDRA (R & D SERVICES) PTE. LIMITED (Formerly known as Axes Technologies (Asia Pacific) Pte Ltd) as at 31 March 2006, the profit and loss account, statement of changes in equity and cash flow statement for the financial year then ended. These financial statements are the responsibility of the company' s directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion:-

a) The financial statements are properly drawn up in accordance with the provisions of the Companies Act (the "Act") and Singapore Financial Reporting Standards and so as to give a true and fair view of:-

   1) The state of affairs of the company as at 31 March 2006 and of the results, changes in equity and cash flows of the Company for the financial year then ended on that date; and

   2) The other matters required by section 201 of the Act to be dealt with in the accounts;

B) The accounting and other records required by the Act to be kept by the company have been properly kept in accordance with the provisions of the Act.

Y C FOO & CO

CERTIFIED PUBLIC ACCOUNTANTS

SINGAPORE

Singapore

May 23, 2006

BALANCE SHEET AS AT MARCH 31, 2006

	Note	2006 $	2006 Rs	2005 $	2005 Rs
Share capital and reserve					
Authorised: 500,000 ordinary shares of $1 each		500,000	13,795,000	500,000	13,795,000
Issued and paid-up: 400,000 ordinary shares of $1 each		400,000	11,036,000	400,000	11,036,000
Accumulated losses		(401,338)	(11,072,915)	(394,725)	(10,890,463)
TOTAL		(1,338)	(36,915)	5,275	145,537
Represented by:-					
Non-current assets					
Plant and equipment	3	1	28	1	28
Current assets					
Amount owing from a shareholder	4	-	-	16,052	442,875
Prepayment		-	-	563	15,533
Cash and bank balances		10,661	294,137	37,244	1,027,561
		10,661	294,137	53,859	1,485,969
Less: Current liabilities					
Other payables	5	12,000	331,080	48,585	1,340,460
Net current (liabilities) / assets		(1,339)	(36,943)	5,274	145,510
TOTAL		(1,338)	(36,915)	5,275	145,537

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

PROFIT AND LOSS ACCOUNT FOR THE FINANCIAL YEAR ENDED MARCH 31, 2006

	Note	2006 $	2006 Rs	2005 $	2005 Rs
Revenue		70,405	1,942,474	68,009	1,876,368
Other income		196	5,407	-	-
Depreciation of plant and equipment	3	-	-	(587)	(16,195)
Operating expenses		(77,214)	(2,130,333)	(80,851)	(2,230,679)
Net loss before taxation	6	(6,613)	(182,452)	(13,429)	(370,506)
Taxation	7	-	-	-	-
Net loss after taxation		(6,613)	(182,452)	(13,429)	(370,506)
Accumulated losses brought forward		(394,725)	(10,890,463)	(381,296)	(10,519,957)
Accumulated losses carried forward		(401,338)	(11,072,915)	(394,725)	(10,890,463)

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

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

	Share Capital $	Share capital Rs.	(Accumulated lossess) $	(Accumulated lossess) Rs.	Total $	Total Rs.
Balance at April 1, 2004	400,000	11,036,000	(381,296)	(10,519,957)	18,704	516,043
Net loss for the financial year	-	-	(13,429)	(370,506)	(13,429)	(370,506)
Balance at March 31, 2005	400,000	11,036,000	(394,725)	(10,890,463)	5,275	145,537
Net loss for the financial year	-	-	(6,613)	(182,452)	(6,613)	(182,452)
Balance at March 31, 2006	400,000	11,036,000	(401,338)	(11,072,915)	(1,338)	(36,915)

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

CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED MARCH 31, 2006

	Note	2006 $	2006 Rs	2005 $	2005 Rs
Cash flows from operating activities:					
Net loss before taxation		(6,613)	(182,452)	(13,429)	(370,506)
Adjustment for:					
Depreciation	3	-	-	587	16,195
Net loss before working capital changes		(6,613)	(182,452)	(12,842)	(354,311)
Amount owing from a shareholder		16,052	442,875	-	-
Prepayment		563	15,532	119	3,283
Other payables		(36,585)	(1,009,380)	33,557	925,838
Amount due to a director		-	-	(12,400)	(342,116)
Net (decrease) / increase in cash and cash equivalents		(26,583)	(733,425)	8,434	232,694
Cash and cash equivalents at beginning of financial Year		37,244	1,027,562	28,810	794,868
Cash and cash equivalents at end of financial year		10,661	294,137	37,244	1,027,562

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2006

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

1. GENERAL

a) Country of incorporation and domicile

The company is incorporated and domiciled in the Republic of Singapore with its registered office at 460 Alexandra Road #24-05 PSA Building Singapore 119963.

b) Principal activities

The principal activities of the company are those of developing software and multimedia and providing technical assistance and maintenance services

There have been no significant changes in the nature of these activities during the financial year.

c) Number of employees

Other than the directors, the company has no employees as at 31 March 2006 and 31 March 2005.

D) Authorisation of financial statements

The financial statements were authorised for issue by the board of directors on 23 May 2006.

e) Change of company's name

The name of the company had been changed from AXES TECHNOLOGIES (ASIA PACIFIC) PTE LTD TO TECH MAHINDRA (R & D SERVICES) PTE. LIMITED with effect from 15 March 2006.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

The financial statements are prepared in accordance with Singapore Financial Reporting Standards (FRS) including related Interpretations promulgated by the Council on Corporate Disclosure and Governance (CCDG).

b) Basis of accounting

The financial statements, expressed in Singapore dollars, are prepared in accordance with the historical cost convention.

c) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are charged to the profit and loss account. When plant and equipment are sold or retired, their cost and accumulated depreciation are removed from the financial statements and any gain or loss resulting from their disposal is included in the income statement.

d) Depreciation of plant and equipment

Depreciation is calculated to write off the cost of plant and equipment by the straight-line method over their estimated useful lives. The annual rates used are as follows:

Office equipment	33%

Fully depreciated plant and equipment are retained in the financial statements until they are no longer in use.

e) Taxation

Income tax expense is calculated on the basis of tax effect accounting, using the liability method and is applied to all significant temporary differences.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or subsequently enacted at the balance sheet date.

f) Revenue recognition

Consultancy income is recognised upon performance of services.

g) Impairment

The carrying amounts of the company's assets are reviewed at each balance sheet date. If any indication of impairment exists, an impairment loss is recognised to the extent of the excess of the carrying amount over the estimated recoverable amount.

h) Provisions

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

i) Financial instruments

The main risks from the company's financial instruments including liquidity risk, foreign currency risk, credit risk and interest rate risk are described as follows:

(i) Liquidity risk

Liquidity risk arises when difficulty is encountered in raising funds to meet commitments associated with financial instruments.

The company has no liquidity risk.

(ii) Foreign currency risk

Foreign currency risk arises from potential changes in foreign exchange rates that have an adverse effect on the company in the current reporting year or in future years.Since the majority of the company's activities are denominated in local currency, therefore, no significant risk arises from changes in foreign exchange rates.

(iii) Credit risk

Credit risk arises when one party to a financial instrument fails to discharge an obligation and cause the other party to incur a financial loss.

The carrying amounts of receivables represent the company's maximum exposure to credit risk. The company has no Significant concentrations of credit risk with any single customer.

(iv) Interest rate risk

Interest rate risk arises from potential changes in interest rates that may have adverse effect on the company in the current reporting year or in future years. The company has no significant exposure to market risk for changes in interest rates as it has no borrowings.

j) Foreign currency conversion

Foreign currency amounts are translated for convenience into Indian Rupees at the exchange rate of Rs 27.59 = SGD1 which is the average of the telegraphic transfer buying and selling rates quoted by the Mumbai Branch of State Bank of India on 31 March 2006.

k) Employee benefits

(i) Defined contribution plan

As required by law, the company makes contributions to state pension scheme, the Central Provident Fund (CPF). CPF contributions are recognized as compensation expense in the same year as the employment that gives rise to the contribution.

(ii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made of the estimated \ Liability for leave as a result of services rendered by employees up to the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2006

3. PLANT AND EQUIPMENT

	Office equipment $	Office equipment Rs	Total $	Total Rs
Cost				
At April 1, 2005 and March 31 2006	6,783	187,143	6,783	187,143
Accumulated depreciation				
At 01/04/2005	6,782	187,115	6,782	187,115
Charge for 2006	-	-	-	-
At March 31 2006	6,782	187,115	6,782	187,115
Charge for 2005	587	16,195	587	16,195
Net book value				
At March 31 2006	1	28	1	28
At March 31 2005	1	28	1	28

4. AMOUNT OWING FROM A SHAREHOLDER

The amount owing from a shareholder was non-trade in nature, unsecured, interest-free and had no fixed terms of repayment.

5. OTHER PAYABLES

	2006 $	2006 Rs	2005 $	2005 Rs
Other creditor	10,000	275,900	-	-
Amount due to a shareholder	-	-	46,500	1,282,935
Accrued operating expenses	2,000	55,180	2,085	57,525
	12,000	331,080	48,585	1,340,460

6. NET (LOSS) / PROFIT BEFORE TAXATION

	2006 $	2006 Rs	2005 $	2005 Rs
Net (loss)/profit before taxation is arrived At after charging:				
Auditors' remuneration	3,295	90,909	1,365	37,660

7. TAXATION

As at 31 March 2006, the company has unabsorbed tax losses of approximately $383,000 (2005: $377,000) available to offset against future taxable income subject to there being no substantial change in the shareholders of the company and their shareholdings within the meaning of Section 37 of the Singapore Income Tax Act and agreement by the Inland Revenue Authority of Singapore.

8. IMMEDIATE AND ULTIMATE HOLDING COMPANY

The immediate and ultimate holding company is Tech Mahindra (R & D Services) Ltd (Formerly known as Axes Technologies (India) Private Limited), incorporated in India.

9. SIGNIFICANT RELATED PARTY TRANSACTIONS

During the financial year, the company had significant related party transactions on terms agreed between the parties as follows:

	2006 $	2006 Rs	2005 $	2005 Rs
Consultancy income earned	70,405	1,942,474	68,009	1,876,368
Reimbursement of expenses	49,500	1,365,705	70,500	1,945,095

10. GOING CONCERN

The financial statements have been prepared on a going concern basis, notwithstanding the deficiency in shareholders' funds, on the assumption that the directors/shareholders will continue to provide the necessary financial support to enable the company to continue its operations.

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED MARCH 31, 2006

Schedules of Staff Costs and Operating Expenses for the financial year ended March 31, 2006

	2006 $	2006 Rs.	2005 $	2005 Rs.
Operating expenses				
Accounting fee	1,200	33,108	1,200	33,108
Auditors' remuneration	3,295	90,909	1,365	37,660
Bad debt written off	16,052	442,875	-	-
Bank charges	310	8,553	225	6,208
Courier services	497	13,712	387	10,677
Entertainment and refreshment	213	5,877	176	4,856
Miscellaneous	68	1,876	-	-
Repairs and maintenance	10	276	307	8,470
Printing and stationery	809	22,320	715	19,727
Professional fees	1,813	50,020	2,524	69,637
Reimbursement of expenses	49,500	1,365,705	70,500	1,945,095
Telephone	2,807	77,445	2,973	82,025
Transport	231	6,373	165	4,553
Utilities	409	11,284	314	8,663
TOTAL	77,214	2,130,333	80,851	2,230,679

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

NOTES

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