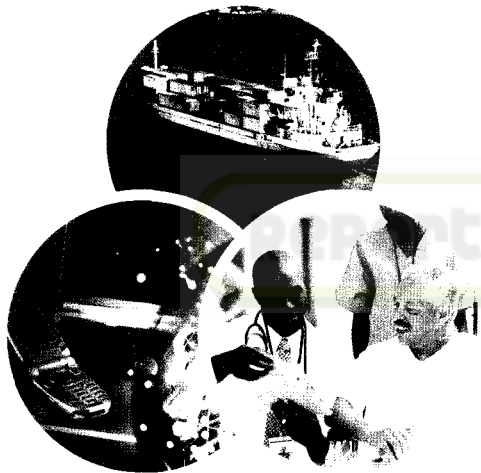




REALIZE YOUR IDEAS



California Software Company Ltd.

Annual Report 2005 - 2006

Participants at the meet
(Sep 19, 2005)



From left: Mr. Narasimha Nayak, CFO Calsoft
Mr. S. Santhosh, Managing Director Calsoft
Mr. Dan G. Peterson, President & CEO Informed Decisions Corp.
Dr. J. K. Nair, COO Calsoft
Press conference on the acquisition (Jul 13, 2005)

From left: Dr. P. J. George, Director Calsoft
Mr. Robert V. Chandran, Chairman Calsoft
Mr. S. Santhosh, Managing Director Calsoft
(Sep 26, 2005)

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Corporate Information

Board of directors

Robert V. Chandran
Chairman

S. Santhosh
Managing Director

Dr. P. J. George
Director

J. Taniuchi
Director

Masanori Toyoshima
Director

Prof. T. T. Narendran
Director

Report

Company secretary & compliance officer
V. S. Navin Shushant

Auditors

Gouthaman & Tomy
Chartered Accountants

Main bankers
Canara Bank

Stock exchanges listed on
National Stock Exchange, India
The Stock Exchange, Mumbai

Contact us

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1205 - D Tidel Park, 4 Canal Bank Road,
Taramani, Chennai – 600113, India.

Corporate Office
5th Floor, Elnet Software City, TS 140, CPT Road,
Taramani, Chennai – 600 113, India.
Phone: +91 -44 -2254 1464, 2254 1853, 2254 1080
Fax: +91 - 44 - 2254 2902

Email: info@calsoft.co.in
Website: www.calsoft.co.in

For demat & share transfer enquiries - Registrars and share transfer agent
Integrated Enterprises (India) Ltd.,
(Unit: California Software Co. Ltd.)
2nd Floor, Kencces Towers, 1 Ramakrishna Street, North Usman Road,
T Nagar, Chennai – 600017, India.
Phone: +91 - 44 -2814 0801 email: sureshababu@jepindia.com

Calsoft Group - Key Facts

*Established in 1992**Public Listed Profit Making Company**End-to-End Solutions in Chosen Domains**Products in Select Verticals**Comprehensive Service Offering**Unique, Mature & Proven Methodology**Processes certified at CMMi Level 5**Over 800 Professionals**Presence in 3 Continents and 9 Countries*

At California Software Company Limited (Calsoft), we recognize that each customer is unique and requires tailor-made solutions. Our personalized solutions approach focuses on the dynamic synchronization of our customer's business strategy with state-of-the-art technology. Leveraging our deep domain expertise, technology capabilities, exclusive products and strategic partnerships we integrate business processes, end-user needs and technology to deliver innovative and cost effective solutions that add substantial business value.

Calsoft's solutions span a wide range of industries – energy, education, healthcare, hospitality, high technology and manufacturing. In each of these verticals Calsoft has to its credit satisfied customers like A.P. Moller - Maersk, APM Terminals, BankFirst, Britesmile, Chemoil Corporation, Expotel, HP, Hudson Metals, Johnson & Johnson, Itochu Corporation, Nortel, Peninsula Petroleum, Radisson and Sony.

State-of-the-art infrastructure and world-class processes ensure that the solutions that Calsoft architects are designed, built and deployed in the most efficient and effective manner. The company's development centers are linked to the client's offices through VPN and dedicated links for secure data transfer and video-conferencing.

The strength of the company lies in its employees – a great number of them being alumni of premier technical and management schools. Calsoft's team comprises of experienced technical experts, business analysts and managers with extensive domain knowledge spanning multiple industries and technologies.



Calsoft Group - Key Facts

Companies in the group

California Software Co. Ltd. (Calsoft) - India.

The parent company in the group, Calsoft India operates out of Chennai. This facility houses a state-of-the art global delivery center besides serving as the headquarters of the group. The company is listed in India on the NSE and BSE.

www.calsoft.co.in

California Software Labs (CSWL, Inc.)

CSWL was incorporated in 1995 and operates at Pleasanton (California) and Boston (Massachusetts). Based out of the technology hubs of the United States, CSWL focuses primarily on the technology product and services companies. Today, CSWL serves as an off-site facility for some of the customers. CSWL is 100% owned by Calsoft.

www.cswl.com

Health Net International Inc. (HNI)

Incorporated in 2005, HNI is a wholly owned subsidiary of CSWL. HNI was founded to focus solely on establishing and forging strategic relationships in the health care arena.

American HealthNet Inc.(AHN)

AHN (based in Omaha, Nebraska) specializes in offering products and related services in the health care segment. The company's flagship product, Clarus (integrated enterprise wide software suite), addresses the information infrastructure needs of community health care organizations such as hospitals, nursing homes, surgery centers, home health agencies, clinics and medical laboratories. Formerly known as Nelson Data Resources, the company was founded in 1980. CSWL acquired majority stake in AHN in 2005 through HNI.

www.americanhealthnet.com

Team Frontline Ltd. (TFL)

TFL operates out of Kochi (India). The company was founded in 1996 to address the growing needs of systems integration in South India. Today, the company holds an installed base of over 20,000 systems and has business and sales partner alliances with leading global companies such as Microsoft, Cisco, Toshiba, IBM, HP and HCL. Calsoft acquired majority stake in TFL in 2004.

www.teamfrontline.com

WebSpectrum Software Ltd. (WSSL)

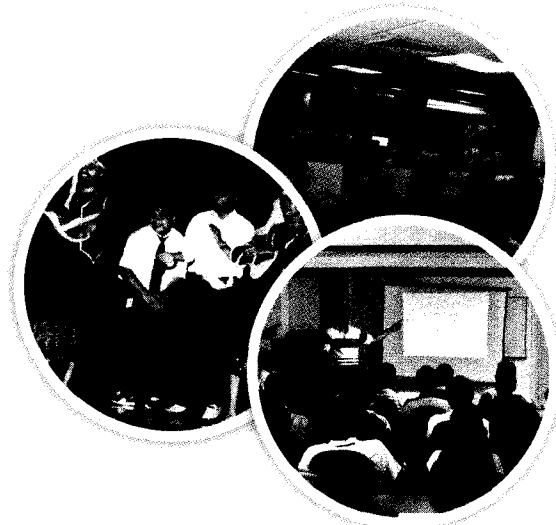
Established in 1997, WSSL focuses on network management systems and networking products. Operating out of its Bangalore office, WSSL offers its customers, products, turnkey development, system integration and consulting services in networking & communications and embedded & mobile systems. Calsoft acquired 100% equity in WSSL in 2005.

www.wssl.com

Informed Decisions Corporation(IDC)

Incorporated in 1984, Informed Decisions Corporation(IDC), is based at Alameda, California and focuses on payment processing products for universities and centers of higher learning in North America. IDC's flagship product suite, CASHNet, provides cashiering, bill presentment and collection solutions to leading colleges and universities. Today, IDC's solutions enable its customers (more than 65 institutions) to manage the payment and collection process from over a million enrolled students. IDC is a subsidiary of CSWL Inc. since October 2005 when CSWL acquired majority stake.

www.cashnet.com



Three Years at a Glance - Selected Financial Data

(All figures Rs. in lakhs – unless mentioned otherwise)

	Consolidated Basis			Standalone Basis		
	March 31, 2006	March 31, 2005	March 31, 2004	March 31, 2006	March 31, 2005	March 31, 2004
FOR THE YEAR ENDED						
Total revenues	11543.95	4886.21	3772.49	3772.40	2508.47	1747.67
Operating profit	980.09	653.99	592.32	815.01	432.71	198.87
Operating profit as a % of total revenues	8.49 %	13.38 %	15.70 %	21.61 %	17.25 %	11.38 %
Profit before taxes	489.93	351.11	331.69	677.32	305.61	81.78
Net Profit after taxes and adjustments	470.45	335.44	304.84	662.87	286.34	81.32
Net profit as % of revenues	4.08 %	6.87 %	8.08 %	17.57 %	11.42 %	4.65 %
AS AT END OF THE YEAR						
Fixed assets (Net)	3401.94	2752.44	613.73	686.79	561.03	548.54
Cash & bank balances	1546.46	807.11	194.41	304.07	300.55	119.42
Total assets	6344.80	5467.04	2307.71	3813.23	2975.00	2681.51
Share capital	492.11	476.11	476.11	492.11	476.11	476.11
Total shareholder fund	2956.24	2493.60	2212.66	3471.10	2828.43	2598.20
Total loan funds	2883.72	2400.37	58.85	304.91	111.11	47.12
SHARE RELATED DATA						
Earning per Share						
Basic	(Rs.) 9.58	7.05	6.40	13.49	6.01	1.72
Diluted	(Rs.) 9.58	6.99	NA	13.49	5.96	NA
Dividend per Equity Share	(Rs.) NA	NA	NA	1.00*	1.00	Nil
Dividend %	NA	NA	NA	10 %*	10 %	Nil
Book value per Share	(Rs.) 60.07	52.37	46.47	70.54	59.41	54.57
Market capitalization - Rs. Lakhs	NA	NA	NA	5277.87	2240.09	1023.63
(Based on Share Price - NSE - March 31, 2006)						

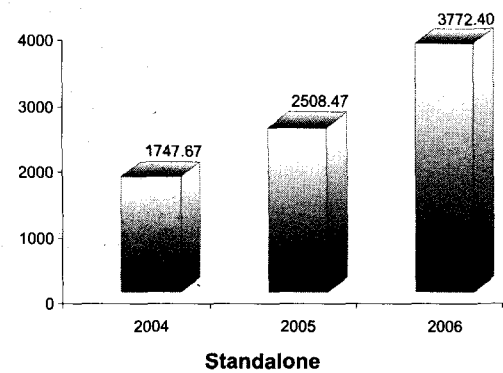
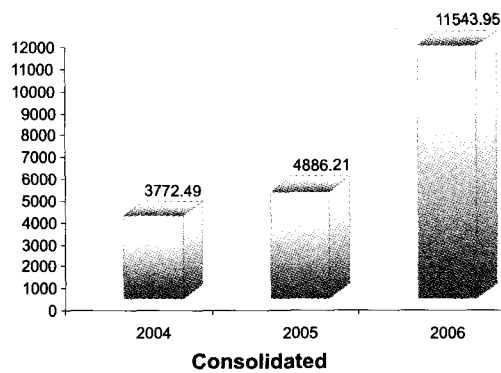
NA=Not Applicable

*Dividend payable on enhanced capital, post rights issue

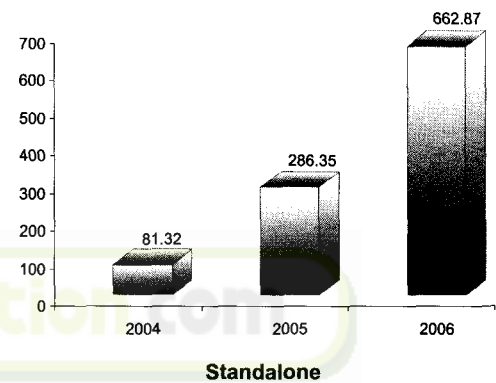
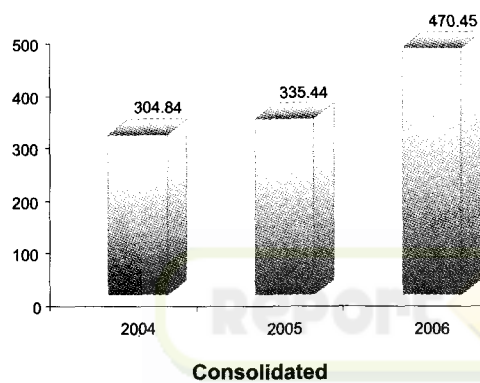
Previous Year figures have been reclassified wherever applicable to match current year classification

Three Years at a Glance - Selected Financial Charts

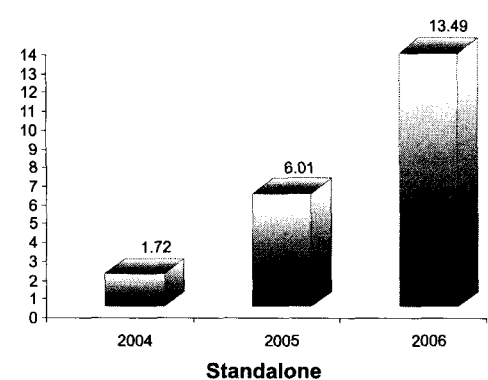
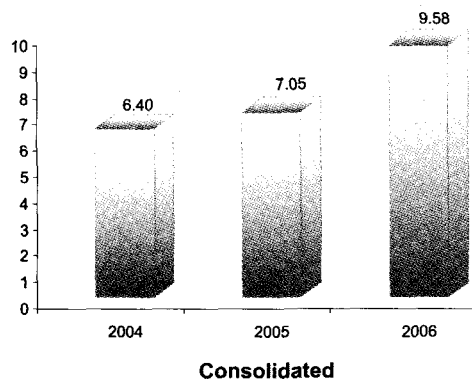
Total Revenue (Rs. in lakhs)



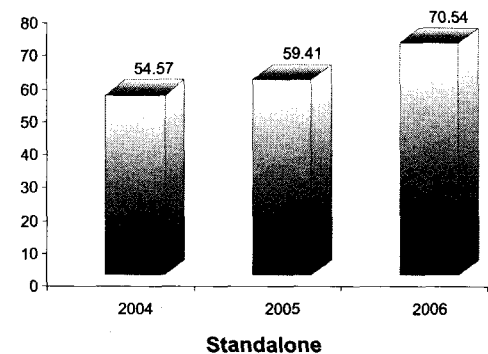
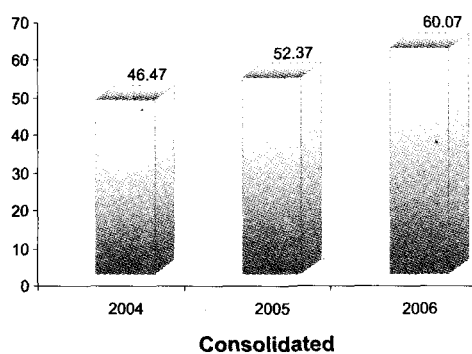
Net Profit (Rs. in lakhs)



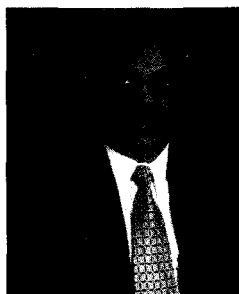
Earnings Per Share (Rs.)



Book Value (Rs.)



Letter to the Shareholder



From the CEO's Desk

Dear Shareholder,

Greetings!

I have great pleasure in presenting the achievements of your company for the financial year 2005-06. At the outset, I would like to place on record my gratitude for the overwhelming support offered for our Rights offering, in spite of the turmoil in the stock market. The Rights issue successfully concluded on May 25, 2006 and was fully subscribed.

The year under review witnessed your company reaching many significant milestones. Our focused efforts to strengthen capabilities have begun to pay-off. This fiscal year the revenue earnings of your company have surpassed the previous year by 136%. Your company, on a consolidated basis with subsidiaries achieved a total revenue of Rs. 11543.95 lakhs with net profit of Rs. 470.45 lakhs. Our group employee strength grew to 737 as at March 31, 2006.

During the year two new strategic partnerships were established with Phoenix and Adobe, a few key orders were won and additional business was generated from existing customers by delivering more value to them. Your company further expanded its global footprints with new order wins in West Asia.

The year saw your company's subsidiaries (American Healthnet Inc. and Informed Decisions Corporation) adding new modules to their existing product suite. These developments are expected to usher in new and better opportunities. However, American Healthnet Inc. is yet to fully recover from its backlog of pending work and commitments. With more delivery capability, structured plan and intensified attention, we do hope to overcome these challenges in the months to come.

Your company's delivery centers at Chennai received a new facelift. The new office in Chennai has enhanced its capacity, both in size as well as in quality. Plans are afoot to further upgrade the facilities of our offshore operations at Chennai and Bangalore.

Continuing with our growth vision, we plan to broaden the scope of our offerings to our customers by providing auxiliary/additional service offerings. Some spadework is underway to explore, examine and qualify our space of operation.

In an industry where critical assets are knowledge and skills, sustaining profitable growth requires continuous business assurance efforts. To further consolidate the gains of CMMi efforts, we have commenced new initiatives to enhance work force quality through tailor - made learning programs.

We do believe that an integrated approach to enhancing competencies and capabilities would deliver lasting value. I seek your continued patronage and support in this journey.

S. (Sam) Santhosh
Managing Director