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12th Annual Report 2005-2006

COMPUCOM

SOFTWARE LIMITED

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Board of Directors

Ajay Kumar Surana

CEO-US Operations

Co-founder of Compucom in 1991 in USA

Surendra K Surana

Managing Director India operations

Co-founder of Compucom in 1991 in USA

Shubh Karan Surana

Director

John A. Giunta

Foreign Director, Executive Marketing and Sales with

Tekmark Solutions, LLC

strategic alliance partner of Company

Stephen Carl Viehman

Independent Director

R. P. Udawat

Non-Executive Independent Director

Subodh K. Bansal

Non-Executive Independent Director

Shiv K Vijay

Non-Executive Independent Director

Executive Management

Mr. Ajay Kumar Surana

CEO - US Operations

Mr. Surendra (Sam) K Surana

CEO - India Operations

Lt. Col. Revail Singh (Retd.)

Sr. Administrative Officer

Ms. Anita Periwal

Company Secretary

Auditors

M/s S. Misra & Associates

Chartered Accountants

5A, Tilak Marg, C-Scheme, Jaipur 302005

Legal Advisor

Mr Amrit Surolia,

Advocate, R&J High Court

Bankers

- The ING. Vysya Bank Ltd.
- ICICI Bank Ltd
- IDBI Bank
- SBBJ

Registered office

IT 14-17, EPIP, Sitapura, Jaipur-302022

Rajasthan, India

A Historical Perspective

(Rs. in lacs)

PARTICULARS	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Revenue	224.27	336.60	1,500.40	2,707.10	4,151.10	3,683.50	3,839.50	2,842.57	2,468.13
Operating Profit(PBDIT)	181.61	224.11	507.56	789.08	688.95	501.20	926.95	857.49	891.69
Interest	-	-	1.39	4.18	1.39	0.77	0.56	1.97	0.19
Depreciation	4.25	13.36	15.98	26.00	81.86	121.70	129.76	171.45	196.48
Provision for Income Tax & Deferred Tax	-	1.54	17.54	63.18	59.88	36.21	107.34	5.97	120.19
Profit after tax from ordinary activities	177.36	209.21	472.65	695.72	545.82	342.52	689.28	690.03	574.83
Dividend	0.87	2.08	91.56	138.44	50.25	125.63	141.85	143.24	171.89
Return on average net worth %	54.44	40.38	35.41	28.59	18.05	10.13	18.42	15.84	12.07
Return on average capital employed %	54.44	40.38	35.41	28.59	18.05	10.13	18.42	15.84	12.07
As at the end of year									
Share Capital	7.94	334.65	499.94	502.45	502.45	502.45	502.45	502.45	502.46
Reserves and Surplus	406.08	287.48	1,614.00	2,298.31	2,793.87	2,965.03	3,512.50	4,059.25	4,458.87
Long Term Debt	-	-	-	-	-	-	-	-	-
Gross Block	155.66	221.78	437.16	998.29	1,419.18	1,537.19	1,841.40	2,513.83	2,550.68
Net Current Assets	250.36	380.30	1,183.30	1,093.70	379.30	327.34	934.58	574.29	1,270.76
Earnings From Ordinary Activities (Rs.)	5.32	6.25	11.37	13.87	10.86	6.82	13.72	13.73	11.44
Book Value (Rs.)	12.42	18.59	42.28	55.74	65.60	69.00	79.90	90.79	98.73
Dividend (Rs.)	1.00	2.00	2.00	2.50	1.00	2.50	2.50	2.50	3.00

Letter to Shareholders

Dear Shareholders,

I look back at the past 11 years with a sense of satisfaction and pride during which we have built our domain in the IT sector. From our beginning in a small office in Jaipur we have expanded to a sprawling 15 acre campus in EPIP Sitapura, Jaipur. We are a nationally recognized firm as is evidenced by receiving the "Best Performance Award" from both, the Government of India and Rajasthan, for exporting IT services and software throughout the world. We are the largest Information Technology service provider and exporter of Rajasthan. I am pleased to provide herewith the Company's Annual report for the financial year ended 31st March 2006.

Our dream started with the inception of the Company and we are continuously realizing it and expanding our horizons. Today your Company has surely and steadily embarked on the journey of being a global player.

Operating profit before interest, depreciation and tax has increased from Rs. 857.49 lacs to Rs. 891.69 lacs by 3.84% as compared to that of the previous year. This is as a result of the shift of focus of the Company towards projects offering higher margins and lower risk.

The Company continues its operations in the Software segment, Learning solution segment and the wind-power generation segment.

As per the prevailing scenario, the US companies are resorting to cost-cutting by outsourcing their job process through BPO(s) and KPO(s). Your Company aims at tapping such small and medium foreign Companies as it has the man-power as well as infrastructure. As a result, your Company has broadened its horizons from BPO operations to KPO operations (Knowledge Process Outsourcing). The Company has received an order in this field from a US based Company, wherein our engineers receive log-technical complaints online and help resolving the same online.

Our application development and maintenance methodology and BPO services cater to the best of the breed processes, which enables successful, on time and above expected, delivery while meeting our customers requirements.

In line with the general market trends and with the comfortable earnings, Board of Directors has recommended Equity Dividend @ 15% (Rs. 1.50/- per share) in addition to the Interim Dividend of 15% already declared by the Board.

Compucom aggressively strives to grow, diversify and broaden its horizons wherever possible. Such proactive moves have paid off as can be evidenced from the increase in profits.

The world is rapidly restructuring to adapt to new economic, political, social and business environments. CSL is determined to get its act together to face the ever-increasing competitive forces emerging out of this change in the world of economic order. Compucom is fully equipped and always ready to take up more and more competition as per the prevailing scenario.

Success is the by-product of a strong foundation. A strong foundation enables us to make the right choices. At Compucom, we are dedicated towards building a strong foundation based on learning and innovation. It is our culture that fosters and encourages ideas and the free flow of communication.

I am confident that with the support and encouragement of all the stakeholders, not only would we be able to witness another era of robust growth, but will move far ahead. Your organization thrives on excitement and challenges. We shall continue to reach for that which appears beyond our grasp today. Our competition remains with ourselves with your faith in our vision and passion, I am confident that we will remain —unstoppable.

We are committed to help India expand its infrastructure to support the continued economic expansion and at the same time ensure that there is minimal impact on the environment. A strong and a clean India will benefit all of us and we are working towards it by planning investments in green power generation and bio mass.

With best wishes,

Sd/-

Surendra K. Surana, Managing Director

Jaipur, July 31st 2006.

Directors' Report to the Members

Dear Member,

Your Directors' have the pleasure in presenting their report on the business and operations of the Company for the year ended on March 31st, 2006.

FINANCIAL RESULTS:

Particulars	Rs. in lacs	
	31.03.2006	31.03.2005
Total Income	2,468.13	2,842.57
Total Expenses	1,576.44	1,985.08
Operating Profit (PBDIT)	891.69	857.49
Interest	0.19	1.97
Depreciation	196.48	171.45
Profit Before Tax	695.01	684.07
Provision for Income-tax including Deferred Tax	120.19	(5.97)
Profit After Tax (from ordinary activities)	574.83	690.03
Extraordinary Item	3.37	0.00
Net Profit After Tax	571.46	690.03
Appropriations		
Dividend	150.75	125.63
Tax on Dividend	21.14	17.62
Transfer to General Reserve	100.00	100.00
Total Appropriations	271.89	243.25
Earning per Share: Basic & Diluted (in Rupees)		
Considering Extraordinary Item	11.37	13.73
Without Considering Extraordinary Item	11.44	13.73

Results of operations - Total revenues earned during the year amounted to Rs. 2468.13 lacs as compared to that of Rs. 2842.57 lacs in the previous financial year. The profit before tax has gone up from Rs. 684.07 lacs in the previous financial year to Rs. 695.01 lacs in the current financial year, which reflects an increase of 1.60%. During the year under review, the income from operations was Rs. 2313.77 lacs compared to Rs. 2680.18 lacs of the previous year. This reflects a decline of Rs. 366.41 lacs, which is mainly due to the decline of income from learning solution segment.

The profit before interest, depreciation and tax during this period has increased by Rs. 34.2 lacs i.e. from Rs. 857.49 lacs to Rs. 891.69 lacs. As compared to the previous financial year, there has been an increase in profit by 3.99 % due to increase in Software Service Income (wherein higher margin projects are undertaken) and wind power generation.

As required by AS - 21, Consolidated Financial Statements are provided in the later sections of this Annual Report.

Dividend-The Board of Directors' have recommended payment of Final Dividend at the rate of Rs 1.50 per Equity Share (Rs. 10/- each), for the year ended on March 31st, 2006 subject to the approval of members at the Annual General Meeting. The Board of Directors had also declared and distributed an Interim Dividend of 15% @ Rs. 1.50 per share for the financial year ended on 31st March 2006. Thus, the total dividend for the year is a total of 30% i.e. Rs. 3.00 per share.

Business Review

- (i) **Software Services** : During the year under review, our focus shifted towards the areas where higher margins are available. The revenue generated from the software segment during the FY 2005-06 was Rs. 956.06 lacs as against Rs. 974.91 lacs during the last financial year. This reflects a decline of Rs. 18.85 lacs. However profit from this segment has increased by Rs. 28.30 lacs. In this segment the ratio of revenue generated to total operational income has increased by 13.61% compared to that of the previous year. The ratio of segmental profit to segmental revenue has also increased by 3.44% from 23.93% to 27.37% as compared to the previous financial year.
- (ii) **ITneer Inc. USA** : ITneer Inc. is a wholly owned subsidiary of the Compucom Software Limited. It has earned a total revenue of US \$ 490829 and the loss amounts to US \$ (52197) during the financial year 2005-06. This loss is mainly due to writing-off the past amount receivable equivalent to US\$ 57,834 during the year. The copy of Audited Accounts, together with Independent Auditor's Report, is provided in a separate section of this Annual Report.
- (iii) **Learning Solutions**: During the year under review, revenue generated from Learning Solution Business amounts to Rs. 1158.12 lacs while the revenue generated in the previous financial year was Rs. 1597.72 lacs. Hence there is a decline of Rs. 439.60 lacs i.e. 27.51%. This decline was mainly due to the change in the Government policy for imparting compulsory computer education in Govt. schools resulting in slight decrease in enrollment of students. However, we are expecting smooth functioning of the project as a whole.
Profit earned from this segment amounts to Rs. 191.00 lacs in comparison to Rs. 269.12 lacs in the previous financial year. In terms of ratio of segment profit to segment revenue, profit generated from this segment is 16.49% as compared to 16.84% of the previous financial year. And the good news is that this school project was to get over by July 2006 but it has been given an extension of one year by the Government, till June 2007.
- (iv) **Wind Power Generation**: As you are aware, the Company had set up 4 (four) Wind Power Generation Plants of 0.6 MW each at Jaisalmer and Sikar, Rajasthan. The operation and maintenance of the Wind Power Project has been out-sourced to Enercon India Ltd.

The revenue generated from this segment amounted to Rs. 199.60 lacs in the current year from all the four plants, which were fully operational during the year.

Enercon India Ltd. guarantees a minimum generation of 15 lac units per annum per machine. In case of any shortfall Enercon shall compensate the Company for the same (for 3 years per machine). As a result of the guarantee clause, the Company had claimed an amount of Rs. 64.45 lacs from Enercon India Ltd. in lieu of shortfall in generation of wind power as against the guaranteed generation.

We plan to make additional investment in green power generation. The Company intends to put up 2 more wind power plants and is exploring the States where even better returns can be attracted.

- (v) **Treasury Activities:** Treasury income includes capital gains, dividends from mutual funds and shares, interest on FDRs etc. During the year under review, the revenue generated from Treasury operations has decreased slightly by 8.04 lacs, which is mainly due to changes in portfolio of mutual funds. During the year more than 90% fund of total MF portfolio had been invested in debt fund where lower but safe margins are available in comparison to Equity oriented funds.

Employee Stock Options: In 1999 the Company issued 1,00,000 Equity Shares, at par, to Compucom Software Limited Employee Welfare Trust, for benefit of the employees, by creating a stock option plan. These shares have been irrevocably granted to the trust and are to be used for the benefit and welfare of employees. As on 31st March, 2006, the trust has in its ownership 77,598 shares which were unutilized.

No fresh Stock Options were issued by the Company, during the Financial Year 2005-06.

Directors' Responsibility Statement: Pursuant to Section 217 (2AA) of the Companies Act, 1956, Directors' state therein:

- In preparation of the annual accounts, the applicable Accounting Standards have been followed along with proper explanations and disclosures relating to material departures.
- The selected accounting policies are applied consistently and the Directors' made judgments and estimates that are reasonable and prudent so as to give a true and a fair view to the state of affairs of the Company as on March 31, 2006 and of the Profit of the Company for the period;
- Proper and sufficient care has been taken in the maintenance of adequate accounting records in accordance with the provision of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- The annual accounts have been prepared on a going concern basis.

Fixed Deposits - During the financial year 2005-06, your Company has not accepted any fixed deposits falling within the definition of Section 58 A of Companies Act, 1956.

Directors': Mr. Stephen C Viehman and Mr. John Giunta, Directors of the Company, retire by rotation at the ensuing Annual General Meeting. These directors being eligible, offer themselves for reappointment.

Auditors : S. Misra & Associates, Chartered Accountants, Statutory Auditors of the Company, retire at the forthcoming Annual General Meeting and have confirmed their eligibility and willingness to accept the office, if reappointed.

Conservation Of Energy, Research & Development, Technology Absorption, Foreign Exchange Outgo: Disclosure under Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rule, 1988, are give in **Annexure ' A '**

Preferential Allotment: Under authority of the resolution of shareholders, the Board issued 1,05,000 convertible warrants to TGS Inc. (1,00,000 convertible warrants) and Randall McCroskey (5000 convertible warrants) convertible into Equity shares @ Rs. 77/- per share. Each warrant entitles the holders to get equivalent number of Equity Shares of face value Rs. 10/- each. Exercise price of the warrant is Rs. 77/- (INR) or US\$ 1.73 each. The warrants are exercisable latest by 13th June 2007. After this date, the unexercised portion of the warrants, if any, would lapse. No warrant has been exercised till date. The entire amount of application money received from the allotment of these warrants has been utilized for acquisition of Fixed Assets.

Particulars of Employees: As required by the provisions of sub-section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, no employee is drawing remuneration at or above the limits mentioned therein.

Human Resource Management and Employee Relation: Employees are a vital asset of the Company. The Company has created a favourable work environment that encourages innovation and nurturing of commercial and managerial talents in its operations. The Company has schemes of bonus and incentives for employees generating revenue for the Company. The Company also provides sharing in ownership of the Company through Employee Stock Option Scheme, wherein stock options are granted based on the cadre of the employee in the organization. The Company continues to have cordial relation with its employees.

Quality Assurance: Your Company is an ISO 9001:2000 Company, certified by Det Norske Veritas (DNV). These norms enable us to identify risks at the initial plan stage of the project. The Company firmly believes in the pursuits of excellence to compete in this emerging and growing software market. Our focus has been on providing quality products and services to our customers. We have maintained ISO 9001 certification since 1999.

Corporate Governance: Your Company is committed to maintain high standards of Corporate Governance. Pursuant to clause 49 of Listing Agreement with Stock Exchanges, a Management Discussion Analysis, a report on Corporate Governance and Auditor's certificate regarding compliance on Corporate Governance are provided hereinafter in a separate section in this Annual Report.

Acknowledgments: The Directors' sincerely appreciate the contributions made by all employees, associates and business partners who have contributed towards the success of the Company. The Directors' are also thankful for the co-operation, support

and assistance received from banks, investors, customers, Central and State Government Departments, local authorities, vendors, Strategic Alliance Partners and all others associated with the activities of the Company. The Directors' would also like to acknowledge the continued support of the Company's shareholders.

For and on behalf of the Board

Sd/- Shubh Karan Surana Chairman	Sd/- Surendra K Surana Managing Director.
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Jaipur, July 31, 2006

Annexure 'A' to the Directors' Report

Particulars as prescribed under Section 217 (1) (e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988

The Directors furnish herein below the required information:

- (i) **Conservation Of Energy:** The nature of the Company's operations are not energy intensive and entail low levels of energy consumption. However, the management is cautious about energy wastage and continues to assign top priority to conservation of energy in all areas of operations. Significant measures are taken to reduce energy consumption by using energy-efficient equipments.
- (ii) **Research & Development (R&D):**
 - (a) **R & D initiative :** The Company is actively involved in Software Development activities and is continuously improving its business process by research and development for better quality. The Company has laid out training programs to improve and upgrade skills of its employees to keep pace with the changing market scenario. Although, there is no separate R & D department identifiable. The company is undertaking software assignments, which in themselves involve lot of research work, during various phases of software development life cycle. Continual infusion of new technology-need research activities during its absorption and usage. Company takes every measure to adopt newer methodologies in software development business.
 - (b) **Specific areas in which R & D carried out by the Company :** Software products development particularly inter-operability of multiple systems. Telecom, CRM, VOIP, Database are the areas in which company takes research and development activities.
 - (c) **Benefits derived as a result of R & D :** Our research labs have been instrumental in building expertise in the areas of software performance solutions, testing and prototype developments. Research and development activities have helped in proposing new and better solutions to the customers. Research work has helped in enhancing staff technical skill development which is critical component in software industry.
 - (d) **Future plan of action :** There will be continued focus on research and development activities. Future benefits are expected to flow in from initiatives undertaken during the year. The Company continues to focus its efforts on innovations in software development processes.
 - (e) **Expenditure on R & D :** The Company's R & D activities are a part of its normal software development process. There is no separate R & D department, hence, there is no specific capital or recurring R & D expenditure. It is not practicable to identify R & D expenditure out of the total expenditure incurred by the Company.
- (iii) **Technology absorption, adaptation and innovation:**
 - (a) **Efforts made towards technology absorption, adaptation and innovation :** The Company puts effort and focuses on innovation as it is engaged in a business marked with rapid technology changes and obsolescence. This innovation helps the Company to keep pace with these rapid changes. It has plans and policies to adopt new technologies periodically with up-gradation of hardware and software resources.
 - (b) **Benefits derived as a result of the above efforts:** High product, quality increased business potential and effective preparedness to take new assignments.
- (iv) **Foreign Exchange Earnings and Outgo.**
 - (a) **Activities relating to Exports, initiatives taken to increase exports, development of new export market for products and services and export plans :** The Company is in the business of software exports. All the efforts of the Company are geared to increase the business of software exports in different products and markets. During the fiscal year 2006, the revenue derived from export activities was Rs. 926.57 lacs. The Company focuses on export projects, which attract higher margins at lower risks. The Company has established marketing arrangements in the foreign countries vide its subsidiary and other marketing agreements.
 - (b) **Total Foreign Exchange Earnings :** The details of foreign exchange earnings and outgo are given in the notes on accounts.

FOB value Exports	Rs. 9,24,28,564/- (Previous year Rs. 95,883,655/-)
CIF value of Imports	Rs. 6,03,842/- (Previous year Rs. 5,370,338 /-)

Other expenses incurred in foreign currency on manpower, administrative and marketing expenses - Rs. 5,51,79,096/- (Previous year Rs. 59,185,182 /-)

Auditor's Certificate regarding Compliance of Corporate Governance

To the Members' of
Compucom Software Limited

We have examined the records with respect to the compliance of Corporate Governance as stipulated in Clause 49 of the Listing Agreement entered into by the Company with the Stock Exchanges for the financial year ended on March 31, 2006.

The objective of our examination is to give our opinion on whether the Company has complied with the conditions of Corporate Governance as stipulated in the provisions of clause 49 of the Listing agreements with Stock Exchanges in India.

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

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement. As per the records of the Company, there were no investor Grievances remaining unattended for a period exceeding one Month against the Company.

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

FOR S.MISRA & ASSOCIATES

Chartered Accountants

SACHINDRA MISRA

Partner

Jaipur, July 31, 2006

Corporate Governance Report for the year 2005-06

(Pursuant to Clause 49 of the Listing Agreement entered into with the Stock Exchange)

- Company's Philosophy On Corporate Governance :** The Company aims to have and is committed to have highest standards of transparency in corporate governance, with a view of maximizing shareholders value. CSL's corporate Governance philosophy encompasses not only regulatory and legal requirements such as terms of Listing, but also some voluntary practices aimed at high level of business ethics, effective supervision and enhancement of value of stakeholders. The Board aims at the compliance with the Code of Conduct of Corporate Governance to ensure transparency, control, accountability, ethical integrity and reliability. The Company aims to increase the value for all its stakeholders, employees, clients and society at large. In terms of clause 49 of the Listing Agreement, requisite particulars of Corporate Governance in Company are furnished hereunder:-
- Board Of Directors :** The Company has a Board of Directors constituted in compliance of Companies Act 1956, and the Listing Agreement entered into with Stock Exchange(s) and in accordance with the best practices in corporate Governance. The Board functions as a full Board or through various committees constituted for specific operation areas. The Board provides leadership, strategic guidance, objective and independent views to the Company's management while discharging its fiduciary responsibilities, thereby ensuring that the management adheres to high standards of ethics, transparency and disclosure. As on 31st March 2006, the Board consisted of 8 (eight) directors. There were 5 (five) meetings of the Board during the financial year 2005-06 - on 15th April, 2005; 27th July, 2005; 26th October, 2005; 14th December, 2005 ; 31st January, 2006 and the AGM was held on 6th September, 2005. The names of the Board members, their attendance at the Board Meetings attended by them during the FY 2005-06 are as given in the following table:

S. No	Name	Category of Directorship	Designation	No. of Board Meetings attended	Last AGM attended
1	Mr. Surendra K. Surana	Promoter Executive Director	Managing Director	5	Yes
2	Mr. Shubh K. Surana	Promoter, Non-Executive Director	Director	5	Yes
3	Mr. Ajay K. Surana	Promoter, Non-Executive Director	Director	3	No
4	Mr. Stephen C. Viehman	Non-Executive, Independent Foreign Director	Director	5	No
5	Mr. John. A. Guinta	Non-Executive, Independent Foreign Director	Director	0	No
6	Mr. Sanjiv Agarwal	Non-Executive, Independent Director	Director	*2	Yes
7	Mr. S. D. Shukla	Non-Executive, Independent Director	Director	*2	No
8	Dr. K. P. Sharma	Non-Executive, Independent Director	Director	*2	No
9	Mr. R. P. Udawat	Non-Executive, Independent Director	Director	5	No
10	Mr. Subodh Bansal	Non-Executive, Independent Director	Director	**2	Yes
11	Mr. Shiv K Vijay	Non-Executive, Independent Director	Director	**2	Yes

* Directors who retired by rotation at the previous AGM.

** Directors appointed in place of retiring Directors.

- (1) None of the Directors' of the Company is a Director or member on more than 10 committees and Chairman of more than 5 Committees (as specified in Clause 49) across all the companies in which he is a Director.

- (2) None of the Directors except Mr. Sanjiv Agarwal hold any Directorship or committee position in any other Public Limited Companies. During the year 2005-06, Mr. Sanjiv Agarwal served as a Director of the State Bank of Bikaner and Jaipur.
- (3) The individual details of the Directors seeking appointment /reappointment at the ensuing Annual General Meeting of the Company are provided in the explanatory statement accompanying the notice of the Annual General Meeting.
3. **Committees Of The Board:** As per the guidelines set out in the Listing Agreement with the Stock Exchanges, Committees of the Board are as follows:

3.1 Audit Committee - Terms of reference of the Audit Committee:

The responsibility of the Audit Committee includes the following:

- Overseeing financial reporting process to ensure fairness, sufficiency and credibility of financial statements.
- Reviewing periodic as well as annual financial results and financial statements before submission to the Board.
- Review the adequacy of Internal Control System.
- Reviewing the Company's financial and risk management policies etc.
- Discussion on the scope of audit with external auditors and examination of reasons of substantial defaults, if any.

There were 4 (Four) Meetings of the Audit Committee held during the year on 14th April 2005; 26th July, 2005; 25th Oct., 2005 and 30th Jan., 2006. Details of the composition of the committee and attendance at its Meeting are given in the following table.

S.No	Name of Members	Category	No. of meetings attended
1	Mr. Sanjiv Agarwal, Former Chairman *	Independent, Non-executive	2 (Two)
2	Dr. K. P. Sharma, Member *	Independent, Non-executive	2 (Two)
3	Mr. R. P. Udawat, Present Chairman **	Independent, Non-executive	2 (Two)
4	Mr. Shubh K. Surana, Member	Non-Independent, Non-executive	4 (Four)
5	Mr. Subodh K Bansal, Member**	Independent, Non-executive	2 (Two)

* retired at the previous AGM held on 6th Sep. 2005.

** appointed in place of retiring directors

The Company Secretary acts as Secretary to Audit Committee. Statutory Auditor attended all the 4 (Four) meetings during the year.

3.2 Compensation Committee - Terms of reference The functions of the Committee include recommendation to the Board of remuneration (including performance bonus and perquisites etc.) to the Managing Director, other Directors and top management executives.

No meeting was conducted during the year under 2005-06 as there was no alteration or revision of any remuneration of the Board or any top executives. The composition of the Committee is as under:

S.No	Name of Members	Category	No. of meetings attended
1	Mr. S. D. Shukla, Former Member *	Independent, Non-executive	No meeting
2	Dr. K. P. Sharma, Former Member *	Independent, Non-executive	was held
3	Mr. Shubh K. Surana, Member	Non-Independent, Non-executive	during the
4	Mr. Subodh K Bansal, Member **	Independent, Non-executive	FY 2005-06
5	Mr. Shiv K Vijay, Member **	Independent, Non-executive	

* retired at the previous AGM held on 6th Sep. 2005.

** appointed in place of retiring directors

- Total Remuneration paid to the Managing Director for the FY 2005-06 amounting to Rs. 8,40,000/-. No other perquisite was provided to the Managing Director.
- The contract for service, notice period, severance fees etc. are applied as per the rules of Company formed by the Board of Directors from time to time.
- The Company paid no other remuneration to non-executive Directors except sitting fees during the year 2005-06. The sitting fees paid to the Non-Executive Directors was Rs. 3000/- for their attendance at every meeting of the Board or Committee.

3.3 Investor's Relation Committee - Terms of reference The functions and powers of the committee include allotment of shares and securities issued from time to time, review and redressal of shareholder's and investor's complaints. The Committee ensures that investor's complaints are resolved within reasonable time. In addition, the Committee also looks into matters relating to facilitation of better investor's services and relations.

There were 2 (two) meetings of the Investor's Relation Committee held on 27th July, 2005 and 30th January, 2006.

Composition and attendance:

S.No	Name of Members	Category	No. of meetings attended
1	Mr. S. D. Shukla, Member *	Independent, Non-executive	1
2	Mr. Sanjiv Agarwal, Member *	Independent, Non-executive	1
3	Mr. Shubh K. Surana, Chairman	Non-Independent, Non-executive	2
4	Mr. Shiv K Vijay, Member **	Independent, Non-executive	1
5	Mr. R. P. Udawat, Member **	Independent, Non-executive	1

* retired at the previous AGM held on 6th Sep. 2005.

** appointed in place of retiring directors

Ms Anita Periwal is the Company Secretary and Compliance officer of the Company.

Details of complaints:

- 24 investor complaints were received during the year. Out of which 22 were successfully resolved. On March 31st, 2006 2 complaints were pending.
- Out of these one complaint was pending for want of documents from the investor and the 2nd one had been resolved as on the date of the Board Meeting i.e. 28th April 2006.
- No share transfers were pending at the close of the financial year 2005-06

4. General Body Meetings - Details of the locations of the last three Annual General Meetings (AGM).

AGM	Date	Time	Venue	Special Resolution	Postal Ballot
9th	29th September, 03	11:30 AM	IT 14-17, EPIP, Sitapura, Jaipur - 302022	Yes	Yes
10th	6th September, 04	11:30 AM	IT 14-17, EPIP, Sitapura, Jaipur - 302022	Yes	No
11th	6th September, 05	11:30 AM	IT 14-17, EPIP, Sitapura, Jaipur - 302022	Yes	No
EGM	30th November, 05	11:30 AM	IT 14-17, EPIP, Sitapura, Jaipur - 302022	Yes	No

- 1) Special Resolution was passed at AGM on 29th September, 03, for:
 - (a) Delisting of securities from Delhi, Ahmedabad and Jaipur Stock Exchanges.
 - (b) Alteration of object clause of Memorandum of Association (MOA).
- 2) Special Resolution was passed through Postal Ballot at AGM on 29th September, 03, for alteration of Object clause of Memorandum of Association.
- 3) Special Resolution was passed at AGM on 6th September, 04, for re-appointment of Managing Director.
- 4) Special Resolution was passed at AGM on 6th September, 05, for Preferential allotment of warrants convertible into Equity Shares.
- 5) Special Resolution was passed at EGM on 30th November, 05, for issue of Preferential Shares/ warrants convertible into Equity Shares and ESOS (Employee Stock option scheme), ESOP (Employee Stock Option Plan) Schemes.
- 6) No Special Resolution was passed by Postal Ballot in the last year nor any Ordinary/ Special Resolution is proposed to be passed through Postal Ballot.

5. Disclosures -

- 5.1 During the year 2005-06 there were no related party transactions that had any potential conflict with the interest of the Company at large.
- 5.2 There have been no non-compliances by the Company nor have any penalties or fine been imposed on the Company by the Stock Exchanges/ SEBI or any other regulatory authority on any matter related to capital markets during the last three years etc.
- 5.3 Certificate from Managing Director and the Manager Finance on the financial statements of the Company was placed before the Board.
- 5.4 **CEO certification:** As required under clause 49 of the Listing Agreement, the CEO certification is provided elsewhere in the Annual Report.

6. Means Of Communication:

- 6.1 The Quarterly, Half-yearly and Annual results of the Company are regularly published in widely circulated national / local dailies namely Business Standard (National), Samachar Jagat and Mahanagar Times (local dailies).
- 6.2 The Company results and official news releases etc. are displayed on the Company's website www.compucomtech.co.in Also as required by SEBI and the Listing Agreements, CSL files its financial information on the Electronic Data Information Filing and Retrieval (EDIFAR) website maintained by National Informatics center (NIC)

7. GENERAL SHAREHOLDER'S INFORMATION:**ANNUAL GENERAL MEETING :**

- (a) Annual General Meeting**
Date, Time and Venue
Wednesday, September 6th, 2006 at 11:30 A.M.
IT 14-17, EPIP, Sitapura, Jaipur - 302022.
- (b) Financial Calendar**
1st Quarter April 1 to June 30th - July, 2006
2nd Quarter July 1st to September 30th - October, 2006
3rd Quarter October 1st to December 31st - January, 2007
4th Quarter January 1st to March 31st - April, 2007
- (c) Book Closure**
September 1st to September 6th 2006 (both days inclusive)
- (d) Dividend payment date**
Dividend will be paid after 6th September 06 subject to the approval of the shareholders at AGM.
- (e) Listing on Stock Exchanges**
The shares of the Company are listed on
 - Bombay Stock Exchange, Mumbai and
 - Calcutta Stock Exchange, Kolkata.
 The Annual Listing fee for FY 2005-06 has been paid.
BSE - 532339
INE453B01011
- (f) Stock Code/Symbol**
ISIN (International Securities Identification Number)

All the investors / Depository Participants are requested to make all correspondence relating to Share Transfer, Dematerialization of shares, investors complaints pertaining to the same, to the Companies Registrar and Share Transfer Agents for prompt and expeditious response and resolution.

Name and address of our Registrar:

Mr. Surendra Gupta
MCS LimitedSri Venkatesh Bhavan, W-40, Okhla Industrial Area, Phase - II,
New Delhi 110020, Telephone - 91-011-26384822, Fax: 011-26384907

As required under clause 47(c) of the Listing Agreement entered into by CSL with Stock Exchanges, a certificate is obtained every six months from a firm of Practicing Company Secretaries, to inter alia, effecting transfer, transmission, sub-division, consolidation, renewal and exchange of equity shares within one month of their lodgment.

(g) **Share Transfer System** : The Company's shares are traded in the Stock Exchanges in demat mode. Physical Shares which are lodged with the Registrar and Transfer Agents/ or with the Company for transfer are processed and returned to the Shareholders duly transferred within the time limit stipulated under the Listing Agreement subject to the documents being in order.

8. **Distribution of Shareholding**: The following tables give distribution pattern of the shareholding of the Company:

Table 1 : Shareholding Pattern

Shareholding Pattern	As on 31st March 2006		As on 31st March 2005	
	No. of shares	% of shares	No. of shares	% of shares
Promoters, their Investment Companies & persons acting in concert	35,41,967	70.49%	3628093	72.20
Mutual Funds, Banks, FIs	800	.02%	6800	0.14
NRIs, OCBs and Foreign Nationals	86,759	1.73%	108742	2.16
Domestic Companies	3,02,860	6.03%	251782	5.01
Individuals and others	10,92,614	21.73%	1029583	20.49
Total	50,25,000	100%	5025000	100.00

Table 2 Distribution Schedule as on 31.03.06

Range	Folios	% Folios	Shares	% Shares
Upto 500	3271	90.68	466826	9.29
501-1000	167	4.63	131104	2.61
1001-2000	79	2.19	111229	2.21
2001-3000	26	0.72	64640	1.29
3001-4000	13	0.36	46546	0.93
4001-5000	13	0.36	61992	1.23
5001-10000	13	0.36	99161	1.97
10001 and above	25	0.69	4043502	80.47
Total	3607	100.00	5025000	100

Directors Shareholdings:

The number of shares held by Non-Executive Directors as on 31st March, 2006, is as under:

Name of the Director	Number of shares held	% of Paid-up capital
Mr. Shubh K Surana, Non-Executive	55,020	1.09
Mr. Ajay K. Surana, Non-Executive	12,600	0.25
Mr. Stephen C Viehman, Non-Executive	14,000	0.28

9. **Dematerialization of Shares** : As on 31st March 2006, 85.49% of the Company's total shares representing 42,96,095 shares were held in dematerialized form and the balance 14.51% representing 7,28,905 shares were held in physical form.

10. **Outstanding GDRs / ADRs / Warrants/Convertible Instruments** : The Company has not issued any GDRs / ADRs. However, the Company issued 1,05,000 warrants convertible into equity shares to TGS Inc. and Randall McCroskey in its EOGM held on 30th November, 2005.

11. **Registered Office** : IT 14-17, EPIP Sitapura, Jaipur 302022
Ph 91-141-2770131, 5115905, Fax 91-141 5115905

12. **Stock Market Data** relating to shares of the Company are as below:

12.1 The Equity Shares of the Company are listed on Stock Exchanges at Mumbai and Kolkata.

12.2 **Stock Code**: The shares are included in BSE 500 Index. Scrip ID is 532339, Scrip Name is 'COMPUCOM SOF'.

12.3 **Market Price Data**: Daily high and low of the shares traded at the Mumbai Stock Exchange from April 1st, 2005 to March 31, 2006 are given in the adjacent table:

Month	High (Rs.)	Low (Rs.)
Apr-05	62.20	40.35
May-05	56.00	45.10
Jun-05	71.00	51.05
Jul-05	75.60	52.25
Aug-05	109.25	62.00
Sep-05	131.10	80.50
Oct-05	95.50	69.25
Nov-05	87.80	72.50
Dec-05	110.00	78.00
Jan-06	96.90	82.00
Feb-06	89.00	76.90
Mar-06	84.40	70.05