

CONTENTS

01

02

03

04

05

06

07

08

09

10

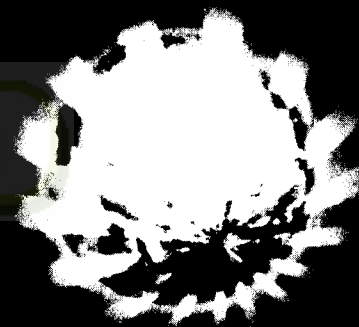
11

12

13

14

towards the global future



Contech
Software Limited
SEI CMM Level 3 Company

OUR SUCCESSFUL PROJECTS

Embedded Systems & Wireless Technologies:

EMBEDDED SYSTEMS :

- USB host stack development on ARM/ ATI Nucleus platform
- USB Device Controller Interface implementation for Motorola ColdFire
- USB Mass Storage Class Driver
- Device driver development tool for Motorola MPC 8240
- Device drivers porting on SBC over WinCE for VGA and Ethernet
- IDE/RAID function storage device driver in Novell NetWare
- Kernel Driver Development
- Audio codec device driver development
- MQX 2.50 BSP & PSP porting for ColdFire 5272
- MQX 2.50 BSP & PSP porting for Power PC 8260
- MQX 2.50 BSP & PSP for Samsung ARM 7Thumb
- MQX 2.50 BSP & PSP for Motorola PowerPC
- Windows CE.Net BSP for CEPC
- Linux 2.4.18 BSP and QT Embedded porting on Hitachi SH7727 based CardEngine
- Linux based Embedded Analog control system
- Semi Intelligent display panel for steering tool and depth monitoring system

WIRELESS TECHNOLOGIES :

- Network Monitoring Tool
- Network Timing Protocol software for broadband wireless system
- Policy Expert Proxy agent for Network Bandwidth Manager
- Wireless HotSpot Gateway
- Secure Router
- WML - HTML Plug in for Pocket PC.

ANNUAL REPORT 2003-2004

BOARD OF DIRECTORS

Rajan K. Vasa, *Chairman & Managing Director*

Dr. Kalyanbhai L. Vasa, *Director*

Kamlesh A. Shah, *Director*

MANAGEMENT COUNCIL

Rajan Vasa, *Chairman & Managing Director*

Mital Gandhi, *Manager, Accounts & Admn.*

Jayesh Patel, *Senior Manager, Projects*

Hemanshu Panchegaonkar, *Senior Manager,*

Business Development

OVERSEAS OFFICES

Contech America, Inc.

5201 Great America Parkway, Suite 320

Santa Clara CA 95054

E-mail: cslusa@contechsoftware.com

Contech Italia

Piazza Lega Lombarda,

3, 23900 Lecco, Italy.

E-mail: cslitaly@contechsoftware.com

AUDITORS

Hemant R. Vora & Co.

Chartered Accountants

Ahmedabad

BANKERS

Bank of Maharashtra

Bhadra Branch

Ahmedabad

REGISTERED OFFICE

91, New York Tower-A,

Thaltej Cross Roads, S.G. Road

Thaltej, Ahmedabad-380 054

Gujarat, INDIA

Tel: +91-79-55469851 to 54

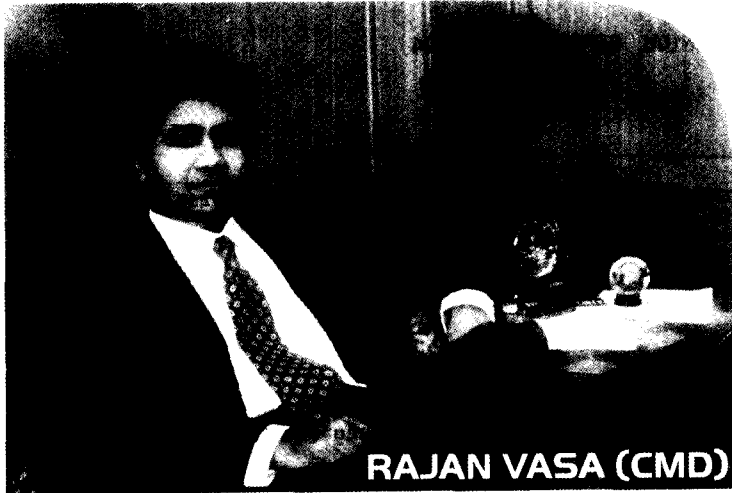
Fax: +91-79-26850524

www.contechsoftware.com

info@contechsoftware.com

CONTENTS	PAGE NO.
Letter from CMD	2-4
Notice AGM	5
Directors' report	6-12
Consolidated Accounts	13-17
Auditors report	18-20
Balance sheet	21
Profit and loss account	22
Schedules	23-35
Subsidiary Accounts	36-41
Shareholders information	42-44



**RAJAN VASA (CMD)****TOWARDS THE GLOBAL FUTURE**

Contech Software Limited (CSL) is an innovative software services company registered with Software Technology Parks of India (STPI) at Gandhinagar, Gujarat, India. With clients in the USA, Taiwan, UK, Israel, Italy and India, Contech has truly global client base.

CSL specializes in providing customized offshore and onsite software solutions in the technology areas of Embedded Systems and Wireless Technologies.

VISION

To be globally identified as a quality conscious company for innovative software solutions in Embedded Systems and Wireless Technologies.

CHAIRMAN'S MESSAGE

The year 2003-04 was yet another challenging year for the Indian software industry and certainly for Contech. There were several reasons for further slowdown in our operations. As you are aware, series of misfortunes had hit the economies around the world and Gujarat during last couple of years. The impact of 9/11 and Gujarat Riots continued into last year and put further pressure on our software business. The goal for your company during last year was to survive so that we can build upon our strengths in the coming years.

It is important to know how your company treated the adverse domestic and global circumstances of fiscal year 2003-04 as an opportunity to restructure the operations. We have formulated several strategies for financial, business and technology path of your company in the coming years. The steps we have taken are towards the goal of becoming a focussed and profitable services provider in Embedded Systems and Wireless Technologies areas. Your company continues to optimize its offshore delivery model to service its clients. Your company's services include consulting, application design, development, re-engineering, maintenance and testing.

Customers have always been central to your company. During 2003-04, every employee redoubled the efforts to satisfy our valued customers, to sustain the operations and to pave way for future growth and profitability. Your company believes that the environment will remain challenging for another year



or so. Customers will continue to focus on higher return on their investments that would continue the pressure on your company's billing rates as well as payment cycle. However, I would like to reiterate that your company's vision is to be a globally identified corporation that provides best of the solutions and services, based on latest technologies, delivered by a strong and dedicated team. Rest of this letter highlights some of our initiatives towards that goal.

INFRASTRUCTURE

Your company firmly believes that proper work environment is very crucial for higher productivity. Since your company now fully focuses on high technology areas, long working hours are regularly required. Since we have been encouraging flexible timings for our team members, we have felt that our development center should be closer to the areas where most of our team members live. Hence, we have decided to open a development center in Ahmedabad.

Based on the growth of the business in the new year, we will consider to open another development center later in the year at an appropriate location.

HUMAN RESOURCE MANAGEMENT

The key strength of your company is its employees. Your company has been able to create a favourable work environment that encourages innovation. Your company has put in place a scalable recruitment and human resource management process, enabling it to attract and retain highly skilled people.

New entrants are put through appropriate initiation and technical training. Also, continuous trainings are planned throughout the year for engineers at all levels. Process improvements have also been made in the areas of recruitment, training and visa processing apart from software development and testing. In addition, all confirmed employees are eligible for your company's Employee Stock Option Plan (ESOP).

CONTECH WORLDWIDE

CSL has a wholly owned subsidiary in the USA and a branch office in UK and Italy. We have also established Marketing Alliance Partnerships (MAPs) in Israel, Taiwan, UK and USA. Also, periodic visits are taken up by senior persons in the company for customer and prospect meetings as well as to attend major trade shows in target markets. Through our increasing global presence, we are able to know the latest trends as well as ground realities of our markets. This kind of coverage will continue to help us refine our growth strategies.

TECHNICAL ALLIANCES

In a globalised environment, a company is known by the companies it is seen with. Such an apparent impression however stems from the undeniable fact that a good partner or associate always adds depth and scope to one's activities. Towards this end, we already are Microsoft Embedded Partner and SuperH Design Services Partner. We are in the process of forging technical alliances with various Microprocessor manufacturers as well as RTOS providers.

QUALITY ROADMAP

Your company firmly believes that quality is one of the most critical components for competitive success in the global market. Your company has achieved high maturity through adherence to highly evolved processes, which have been systematically benchmarked against world-class operating models. During last year, your company has maintained SEI CMM level 3 processes, which is the world-class benchmark



in software process management. To address the challenging of the future and to ensure performance improvement, regular and rigorous internal assessment takes place to identify the areas that need improvement so that we continue to march towards SEI CMM Level 5.

CLIENTS

During last year, we have lost several clients due to either drastic downsizing of their operations or even closures of some of our clients, resulting in revenue losses. We also found that due to intense competition, we had to build further depth in the areas that we were operating in. Since it is not possible to build depth in too many areas, we decided to close the areas where too many software companies are operating – namely ERP and E-Business. Since we closed our ERP and E-Business activities, we lost some more clients. We also had to write off some of the outstanding amounts due from these clients, as we wanted to cut our operating losses in these projects. This is also reflected in our bottom line.

However, in the new financial year, we are certain of adding new clients based on our increased focus in chosen areas of Embedded Systems and Wireless Technologies. Since during last two years of industry slowdown, we have continued to build strengths in terms of focussed approach, world-class quality, more domain knowledge and dedicated work force, we are certain that it is only a matter of some more time before we get business from more global customers and turn around the company.

FUTURE

Based on the recent increase in the inquiries and trial orders, we are very confident about our future. Going forward, we have identified several areas of strengths, which will help our growth plans. Some of them are outlined below:

- The ability to understand a client's requirement and to offer a credible technology solution addressing the problem.
- Ability to maintain skill sets on selected technologies and ensuring depth.
- Quality processes based on SEI CMM Level 3 and beyond.
- The ability to attract and retain high quality people.
- Flexible, client focussed organization structure.

With all these and many other strengths coupled with focussed approach will help your company to emerge as a strong Embedded Systems and Wireless Technologies solution provider company in the coming years.

CREDITS

The fact that we have come this far owes its existence to many individuals, organizations and government agencies. Your directors thank the company's clients, vendors, investors and bankers, STPI – Gandhinagar, Reserve Bank of India, Customs Department, for their continued support during the year and look forward to their continued support in the future. Your directors place on record their appreciation of the contribution made by employees at all levels, who, through their competence, hard work, solidarity, cooperation and support, have enabled the company to achieve consistent growth.

NOTICE

NOTICE IS HEREBY GIVEN THAT the 21st Annual General Meeting of **CONTECH SOFTWARE LIMITED** will be held at 91, New York Tower-A, Thaltej Cross Roads, S.G. Road, Thaltej, Ahmedabad - 380 054, Gujarat, India on 30th September, 2004 at 11.00 A.M. to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider, approve and adopt the Audited Balance Sheet as at 31st March, 2004, Profit and Loss Account for the year ended on that date and the Auditor's and Director's Report thereon.
2. To appoint a Director in place of Shri Kalyanbhai L Vasa' who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

For and on behalf of the
Board of Directors

Gandhinagar : 28th June, 2004

Rajan Vasa
Chairman & Managing Director

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 15th September, 2004 to 30th September, 2004 (Both days inclusive) for the purpose of Annual General Meeting.

For and on behalf of the
Board of Directors

Gandhinagar : 28th June, 2004

Rajan Vasa
Chairman & Managing Director



DIRECTORS' REPORT

Dear Shareholders,

Your Directors take pleasure in presenting their 21st Annual Report together with Audited Accounts for the financial year ended on 31st March, 2004.

Financial Results	2003-2004 (Rs.)	2002-2003 (Rs.)
A] Profit/Loss before Interest, Depreciation and Taxes	(38,34,268)	22,34,769
B] Less : Depreciation Interest	1,24,43,096 27,13,956	1,90,69,591 14,52,564
C] Profit / (Loss) before taxes	(1,89,91,320)	(1,82,87,386)
D] Less : Provision for taxes	(35,640)	(37,600)
	(1,90,26,960)	(1,83,24,986)
E] Prior Period Adjustments (net)	(42,68,509)	(8,25,399)
Excess/Short Provision of Taxation	0	1,05,746
Deferred Tax	42,95,428	(26,428)
	(1,90,00,401)	(1,90,71,067)
F] Add : Balance brought forward from previous year	23,78,293	2,14,49,360
Profit available for Appropriation	(1,66,21,748)	23,78,293
Less : Appropriations		
- General Reserves	72,12,000	0
Balance carried forward to Balance Sheet	-(94,09,748)	23,78,293

Results of Operations:

Due to adverse market conditions resulting into downsizing your company had negative growth during the year under review. Total software revenues during the year was Rs. 210.56 lacs (includes software revenues of subsidiary Rs. 26.34 lacs) as against Rs. 486.81 lacs (includes software revenue of subsidiary Rs. 34.95 lacs) in the earlier year. The loss after interest and depreciation was Rs. 189.91 lacs (includes loss of subsidiary Rs. 5.85 lacs) The company has, for the first time, made cash losses during the year. The company is putting all the effort to reposition in certain areas and is quiet confident to march ahead. Your company continues to focus on offshore software development, re-engineering, testing and maintenance. The Company has added 4 new international clients from countries like USA and Taiwan. During the year your company has made a successfully entry in Taiwan market.

Dividend:

In view of the losses during the year, the Board is unable to recommend any dividend.

Subsidiary Company and Branch Offices:

Keeping in view the market condition, your company has decided to continue the US subsidiary but close the UK and Italy branches in the coming year.

Deposits:

During the year under review, the Company has not accepted any deposits either from shareholders or from general public.

Directors:

Shri Kalyanbhai L Vasa retires by rotation in the ensuing AGM and being eligible offers himself for reappointment.

Employees Stock Option Scheme (ESOP):

The company currently has two stock option plans. These are summarized below:

2000-01 Stock Option Plan:

As of 31st March, 2004 options to acquire 13800 shares were outstanding. No options were issued under this plan during current year.

2001-02 Stock Option Plan:

As of 31st March, 2004 options to acquire 14650 shares were outstanding. No options were issued under this plan during current year.

2002-03 Stock Option Plan:

As of 31st March, 2004 options to acquire 10600 shares were outstanding. No options were issued under this plan during current year.

2003-04 Stock Option Plan:

During the year Company has issued 271 stock options (1 stock option = 100 shares) under regular scheme and 11 stock options (1 stock option = 100 shares) under growth scheme, to eligible employees. The details of the option granted during the year is as under:

Description	Details
1. Total No. of Shares	28,200 Equity shares
2. The pricing formula	Rs. 10 per share under regular scheme Rs. 10 per share under growth scheme
3. Options granted during the year	271 options representing 27100 shares under regular scheme 11 options representing 1100 shares under growth scheme
4. Option exercised during the year	Nil
5. Total number of options in force including Senior Management	89 options representing 8900 shares under regular scheme 8 options representing 800 shares under growth scheme
6. Grant to senior management	19 options representing 1900 shares under regular scheme 11 options representing 1100 shares under growth scheme
7. Employees holding 5% or more of the total number of options granted during the year	Nil

Listing:

Pursuant to the approval of the shareholder in the last Annual General Meeting and application by Company, your company was de-listed at Ahmedabad, Bangalore & Hyderabad stock exchanges. Company's share continues to be listed at Mumbai, Stock Exchange.

Corporate Governance:

Pursuant to clause 49 of the listing agreement, a report on corporate governance and a certificate from the auditors of the Company is given in the Annexure-B and Annexure-C respectively, which forms part of this report.

Directors responsibility statement:

Pursuant to the amended provisions in Sec. 217 of the Companies Act, 1956, the Directors of the Company state that :

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

Energy, Technology, Foreign Exchange:

Details of energy conservation and research and development activities undertaken by the Company along with the information in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are given in Annexure "A" to the Director's Report.

Particulars of Employees:

As there are no employees drawing remuneration more than Rs. 200000/- per month, the information as per section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) is NIL.

Auditors:

The auditors, Hemant R. Vora & Co. Chartered Accountants, retire at the ensuing Annual General Meeting. The Company has received letter from them confirming that their appointment, if made, would be within the prescribed limits under Section 224 (1-B) of the Companies Act, 1956.

Acknowledgment:

Your directors place on record their appreciation of contributions made by employees at all levels enabling the company to achieve the enhance performance during the year under review.

Your directors also appreciate the valuable co-operation and continued support extended by the Company's Bankers and Business Associates.

For and on behalf of the
Board of Directors

Rajan Vasa
Chairman & Managing Director

Gandhinagar : 28th June, 2004