

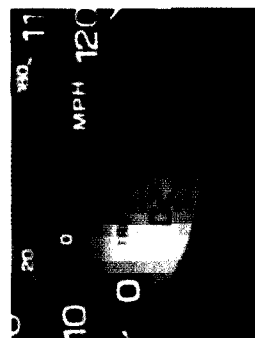


Integration of Technologies

Annual Report
2004-2005

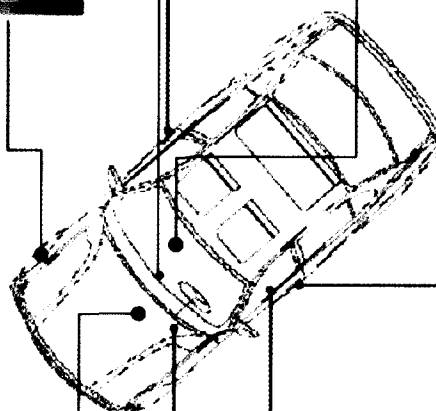


VIM for SKY WAY



Odometer Reading
To interface with the Vehicle Bus

Possible Aftermarket Kit
For Remote door unlock
& remote engine start &
Tire Pressure Monitoring



Door Zone Module (DZM)



Remote Keyless Entry FOB



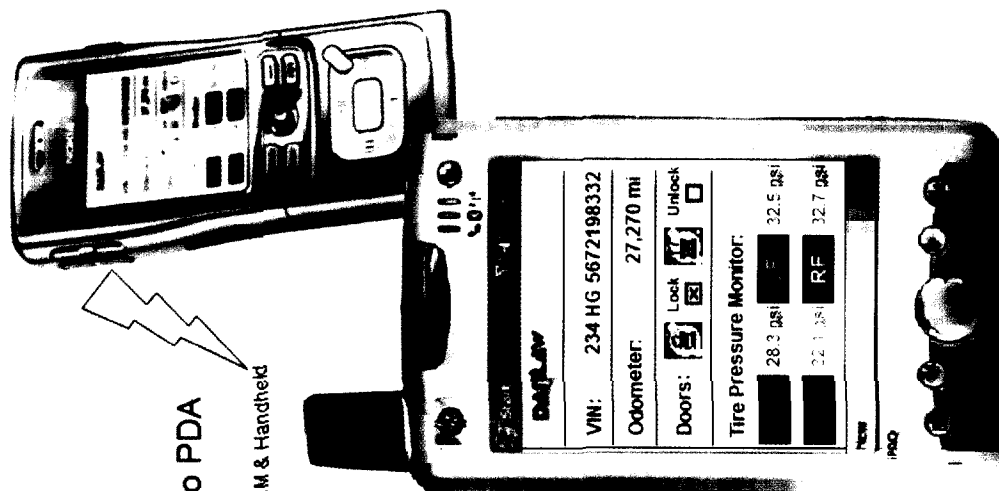
Danlaw GPS DAAS
To interface with the Vehicle Bus



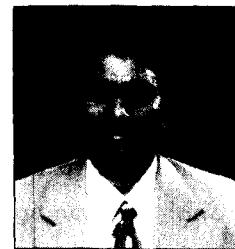
Danlaw VIM
To interface with the Vehicle Bus

**WiFi connection to PDA
or Wi-Fi Phone**

To interface between DAAS/VIM & Handheld



From the Chairman's desk



Dear Fellow Shareholders,

Danlaw has emerged from Fiscal 2005 a new company, stable, sound and positioned for growth.

During fiscal 2004-05 your company has seen an increase of 160% in gross profit. Danlaw Technologies Inc., our WOS has shown significant improvements with an increase of 47% in gross revenues. Overall, I am encouraged by the strong turnaround in our financial performance.

Today, we are investing for growth and market leadership. Our company has a technology vision built on a distinctive view of the market place. We have launched a differentiating technology plan that not only addresses the current market dynamics, but is designed to help Danlaw and our clients stay ahead of the curve. Danlaw is building this vision on a foundation of operational excellence that drives business impact now.

Danlaw's ESAP_{cm} Product has been successfully installed in several school districts in Colorado. It has received rave reviews from all the users. The product has been adopted to meet specific requirements for the state of Illinois. Our ESAP_{sp} enables us to enter into another opportunity in the recovery process for Medicaid revenue.

Aggressive marketing plans to accelerate the deployment of these solutions in other states have been devised.

Danlaw's continued commitment to Research and Development has enabled us to provide products along with high-end solutions. This commitment has also prepared us to participate in the new and exciting technical and business opportunities that have been launched by our efforts.

Satellite Radio's popularity in the past two years has led nearly every major radio manufacturer to offer a Satellite Radio enabled solution to its existing AM and FM tuner frequencies. This is like a radio station that can broadcast its signal from more than 22,000 miles (35,000 km) away and then come through on your car radio or home radio with complete clarity. Danlaw is excited to be part of this business opportunity.

The ability to communicate from mobile devices like cell phones or PDAs, to a home security system, or to your vehicle, opens up a vast array of new business opportunities. Danlaw's existing products in the automotive electronics area along with expertise in WiFi and Bluetooth will position Danlaw as a market leader in this area in the coming years.

Market forces are placing new demands on businesses and governments. Clients need more business value from their technology investments. We understand this need, and we are investing to help clients and Danlaw meet those demands and leapfrog the competition.

Among the many market forces in play, we believe:

Global commerce is here to stay. The ability to do business globally is imperative – whether a company operates in more than one region or country – or its supply chain passes through Asia, Europe and South America.

The explosion of technology is pushing demands on business to the "edge". The growing number of "always-on" devices – such as mobile phones, PDAs, toll tags, and radio frequency Identification (RFID) chips – is increasing the need for scale, speed and flexibility.



There is a shift in how work is done. As business usage of technology is to be pushed to the edge, it changes how products and services are bought and delivered – whether you are using a credit card at a vending machine or a global positioning system that locates your car for emergency road side assistance.

Business ecosystems will dominate. Most companies do not need to own everything – their supply chain is made up of many companies that span the globe. Companies are removing inventories, warehouses and administrative support as they participate more in an overall business ecosystem.

Legacy systems can't participate. More and more enterprises will need help with unravelling the hard-wired rigid infrastructures that exist today. And they will need help from those who are experts in both the old and new technologies, and who know how to apply them to solve industry issues.

Business and governments, for their part, are asking technology service providers for:

- ❖ Ongoing cost-competitiveness, high-quality service delivery and the ability to drive real business value.
- ❖ Global consistency, because their businesses run in multiple regions and countries.
- ❖ Deep business domain and industry knowledge to develop relevant business solutions.

Our Strategic response: Investing and partnering to win

Our growth strategy is to look for companies with industry-leading technology and expertise that reinforce Danlaw's

core business and value proposition for customers, while enlarging Danlaw's addressable market opportunity. Danlaw continues to invest in R&D to enrich the company's product portfolio and solidify our growth objectives.

We are a technology company that is driven to perform, to partner and to execute. We go about our jobs with a passion for delivering results that meet or exceed our customer's expectations. We pride ourselves in doing what's right and putting our customer's best interest first. We lead change, and change to lead. We are devoted to advancing our people, customers, industry and community. We say what we mean, and do what we say. We are Danlaw. Where innovation thrives.

The corporate culture including the attributes of "Commitment to Quality" and "Commitment to Accountability" remains strong. The executive management team assumes end-to-end responsibility for every opportunity and ultimately ensures delivery of real business value to our customers.

With the strong leadership of our executive management team, the support of a talented Board of Directors, our team of committed and dedicated employees, Danlaw will continue to deliver value to its customers and shareholders.

Thank you for your continued support.

Raju S. Dandu

Chairman and Managing Director

BOARD OF DIRECTORS

Raju S Dandu
Chairman and Managing Director

Dr P V S Jagan Mohan Rao
Director

Lloyd R Lawrence
Director

M A Ashok Kumar
Alternate Director to Mr. Lloyd R Lawrence

D S N Raju
Executive Director

MANAGEMENT TEAM

B V Ramana
Executive Vice President (ESD)

Prakash B Kulkarni
Executive Vice President (IT)

Dr Y V Subrahmanyam
Vice President (HR)

COMPANY SECRETARY

B S Bhaskar

AUDITORS

M/s. A M Reddy & Co.
Chartered Accountants
10-5-6/A, "My Home Plaza"
Off.: 103, II Floor,
Masab Tank,
HYDERABAD – 500 028

BANKERS

HDFC Bank, Banjara Hills Branch

DEPOSITORY AND SHARE TRANSFER AGENTS

Sathguru Management Consultants Pvt. Ltd.
Plot No.: 15, Hindi Nagar,
Punjabgutta,
HYDERABAD – 500 082
Phones: 040-23356507, 23350586
e-mail : sta@sathguru.com

**Registered Office**

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Banjara Hills, **Hyderabad 500 034**
Phone: 040-23542499
Fax : 040-23541671

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040-23550851

US SUBSIDIARY OFFICE

Danlaw Technologies Inc.
23700, Research Drive, Farmington Hills,
MI 48335-2624, USA

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Notice

Notice is hereby given that the Twelfth Annual General Meeting of the Company will be held on Saturday, the September 17, 2005 at 11.00 a.m. at the Registered Office of the Company, 43, Sagar Society, Road No. 2, Banjara Hills, Hyderabad – 500 034, to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at March 31, 2005 and the Profit and Loss Account for the year ended as on that date, along with the Auditors' Report and Directors' Report thereon.
2. To appoint a director in place of Mr. Lloyd R Lawrence, who retires by rotation and being eligible offers himself for reappointment.
3. To appoint Auditors of the Company from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and to authorize Board of Directors to fix their remuneration.

SPECIAL BUSINESS

4. To consider and if thought fit, to pass, with or without modification, the following resolution as a Special Resolution.

"RESOLVED THAT pursuant to Section 31 of the Companies Act, 1956 and other applicable provisions, if any, the existing Article No.3 of the Articles of Association of the Company be and is hereby amended with the inclusion of sub-article (f) with the caption 'Power to issue Share Warrants and/or other financial instruments', which shall read thus:

"The Company shall have power to issue share warrants and/or other financial instruments, which may be converted into equity shares, at such price and as per such guidelines and other applicable rules and regulations, as may be stipulated by SEBI, RBI and/or other Government Authorities.

5. To consider and if thought fit, to pass, with or without modification, the following resolution as a Special Resolution.

"RESOLVED THAT pursuant to the provisions of Section 81, Section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or modification (s) or re-

enactment (s) thereof) and in accordance with the provisions of the Memorandum and Articles of Association of the Company and subject to the regulations / guidelines, if any, prescribed by the Securities and Exchange Board of India, Reserve Bank of India and all other concerned and relevant authorities from time to time, and subject to such other approvals, permissions, consents and sanctions of such other authorities, as may be necessary and subject to such conditions and modifications as may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board", which term shall also include any Committee thereof), the consent of the Company be and is hereby accorded to the Board to create, offer, issue and allot, at its sole discretion, in one or more tranches to those pre-identified individuals/ bodies corporate from non-promoters category, including Indian individuals, bodies corporate, mutual funds, NRIs, OCBs, FIs and/ or any combination thereof, whose identities are provided in the Explanatory Statement annexed hereto, through private placement and preferential allotment, **5,00,000 (Five Lakh only) Equity shares** of the Company of the face value of Rs.10/- each at a premium of Rs. 55/- per share, aggregating to Rs. 325 lacs, for cash or cash equivalent, ranking pari passu with the existing equity shares of the Company, subject however to the Guidelines prescribed by the Securities and Exchange Board of India (SEBI) in this regard, and as may be applicable from time to time.

RESOLVED further that for the purpose of giving effect to this resolution, the Board is hereby authorised to do all such acts, deeds, matters and things and resolve any doubts or questions that may arise in the issue and allotment of fresh shares, to effect any modification(s) to the foregoing (including any modification to the terms of the issue) in the best interests of the Company and its shareholders and to execute all such writings and instrument (s) as the Board may in its absolute discretion deem necessary or desirable.

RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers to any Committee of Directors of the Company to give effect to the aforesaid resolution."

6. To consider and if thought fit, to pass, with or without modification, the following resolution as a Special Resolution

"RESOLVED THAT pursuant to Section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or modification (s) or re-enactment (s) thereof) and in accordance with the provisions of the Memorandum and Articles of Association of the Company and subject to the regulations / guidelines, if any, prescribed by the Securities and Exchange Board of India, Reserve Bank of India and all other concerned and relevant authorities from time to time, and subject to such other approvals, permissions, consents and sanctions of such other authorities, as may be necessary and subject to such conditions and modifications as may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board", which terms shall also include any Committee thereof), consent of the Company be and is hereby accorded to the Board to create, offer, issue and allot, at its sole discretion, in one or more tranches to Promoters and associates, whose identities are provided in the Explanatory Statement annexed hereto, **5,00,000 (Five Lakh) Convertible Share Warrants** of the Company at a price of Rs. 65/- per warrant, for cash or cash equivalent, with a right entitling the warrant holder thereof to apply for and be allotted one equity share per Warrant of Rs.10/- each at a premium of Rs. 55/- per share ranking pari passu with the existing equity shares of the Company, subject however, to the Guidelines prescribed by the Securities and Exchange Board of India (SEBI) in this regard, and as may be applicable from time to time.

RESOLVED further that for the purpose of giving effect to this resolution, the Board is hereby authorised to

issue and allot such number of equity shares as may be required to be issued and allotted upon approving the right of warrant holders to exercise the option of conversion of warrants into equity shares, as may be necessary in accordance with the terms of this offer and subject to the provisions of the Memorandum and Articles of Association of the Company, and also to do all such acts, deeds, matters and things and resolve any doubts or question that may arise in the issue and allotment of warrants, to effect any modification(s) to the foregoing (including any modification to the terms of the issue) in the best interests of the Company and its shareholders and to execute all such writings and instrument(s) as the Board may in its absolute discretion deem necessary or desirable.

RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers to any Committee of Directors of the Company to give effect to the aforesaid resolution."

7. To consider and if thought fit, to pass, with or without modification, the following resolution as a Special Resolution.

"RESOLVED THAT subject to regulatory approvals as may be required, the consent of the Company be and is hereby accorded for delisting of the equity shares of the Company from the Madras Stock Exchange Ltd."

"RESOLVED FURTHER THAT Board of Directors of the Company be and are hereby authorized to take the necessary steps for delisting of equity shares."

By Order of the Board
For **Danlaw Technologies India Ltd.**

Hyderabad
August 22, 2005

B S Bhaskar
Company Secretary

Notes

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy and such proxy need not a member of the Company. In order for the proxies to be effective, the Company must receive proxies not less than 48 hours before the commencement of the meeting.
2. Members/proxies should bring duly filled attendance slips sent herewith for attending the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from September 14 to September 17, 2005 (both days inclusive).
4. Members seeking any additional information on the accounts of the Company should write to the Company Secretary on or before September 12, 2005, to facilitate compilation of data.

EXPLANATORY STATEMENT

Item No. 4

For reasons explained below, your company plans to issue convertible share warrants as per the Guidelines prescribed by SEBI. In order to facilitate such issue and allotment of convertible warrants, an enabling provision is required in the Articles of Association of the Company.

Hence, your directors recommend passing of the requisite resolution amending Article 3 of the Articles of Association by including Clause (f) as proposed.

None of the directors of the Company except Mr. Raju S Dandu and Mr. D S N Raju are concerned or interested in the proposed resolution.

Item No. 5 & 6

ESAP_{CM} ESAP (Case Management) and ESAP_{SP} ESAP (Service Provider) are the two Products developed under the ESAP (Exceptional Student Administration Program) requirement. The former one deals with the Individual Education Plan (IEP) required by each physically challenged student and the later is designed to record the various other special services provided to such students.

Danlaw's ESAPTM suite of products help school administrators, educators and service providers keep track of the various processes that must be followed in order to comply with the Federal (Individuals with Disabilities Education Act) - IDEA. ESAP is a web enabled application system that allows schools to automate their IEP (Individual Education Program) process in compliance with both IDEA and Sec.504 of the Federal Rehabilitation Act. It is a comprehensive system built around a robust database and the services are offered to schools through an Application Service Provider (ASP) model. See also Page No. 12 for some more information on ESAP.

In order to meet its funds requirement toward the capital and revenue expenditure on the ESAP Product, your Company wishes to raise the required funds through equity capital.

The issue and allotment of equity shares to non-promoters category will also help the Company to comply with the SEBI Regulations vide Notification No: S.O.5 (E) dated

30.12.2004, namely, SEBI (Substantial Acquisition of Shares and Takeovers) (2nd Amendment) Regulations, 2004, bringing the present percentage of holding of promoters below the level of 55%.

To meet the funds requirement during the coming years, your Company proposed to issue convertible warrants to selected investors and to promoters.

Disclosures, which are required to be made pursuant to Clause 13.1A of the Securities and Exchange Board of India (Disclosure & Investor Protection) Guidelines, 2000:

(i) The objects of the issue through preferential offer:

To market the ESAPTM product aggressively and extensively all over the US School Districts, to customize the software to suit the individual requirements of different States in US, to continuously upgrade the version to make it compatible to the changing requirement of law and the users and also to plan strategic alliances/acquisitions, your company needs funds.

The proposed issue of equity shares to non-promoters category will also help the Company to comply with the SEBI Guidelines to maintain the promoters holding below 55%.

(ii) The intention of the promoters/directors/key management persons to subscribe to the offer:

The proposed issue of 5,00,000 equity shares is intended to be made to selected investors from public, and hence, subscription by the promoters, directors and key management persons does not arise.

Further, the promoters intend to subscribe to the proposed issue of 5,00,000 convertible warrants on preferential basis. Key management persons who are not promoters do not intend to subscribe to the offer.

(iii) The Shareholding pattern before and after such proposed allotment of equity shares and convertible warrants would be as given below:

Category	Before Issue of Preferential Shares/Warrants		After Issue of Preferential Shares/Warrants		After Conversion of Warrants	
	Shares	%	Shares	%	Shares	%
Promoters	18,35,792	57.007	18,35,792	49.35	23,35,792	55.35
Public	13,84,508	42.993	18,84,508	50.65	18,84,508	44.65
TOTAL	32,20,300	100.000	37,20,300	100.00	42,20,300	100.00

Notes:

- a) The holding position shown above under "Before Issue of Preferential shares/warrants" is the position as on June 30, 2005.
- b) After issue of shares and warrants, 5,00,000 convertible warrants will be held by the preferential allottees from promoters, which will be eligible for conversion into equity shares within a period of 18 months from the date of AGM.
- c) The holding pattern "After the Conversion of Warrants" will be as per the holding shown above, with an assumption that all the 5,00,000 warrants will be opted for conversion and there will not be any change in the pre-conversion holding of promoters equity.

(iv) Proposed time within which the allotment shall be complete

As required by the SEBI Guidelines in this regard, the entire process of offer, issue and allotment will be completed within fifteen days from the date of general meeting, where the resolution of approval by shareholders will be passed.

(v) The identity of the proposed allottees and the percentage of post-preferential issue capital that may be held by them.

The identity of the proposed allottees of equity shares under preferential offer:

No.	Name	Address	Holding before preferential allotment	Holding after preferential allotment
1	Advent Advisory Services Pvt. Ltd.	Mumbai	Nil	68,000
2	Adit Mehta	Mumbai	Nil	60,000
3	Sanjay Poddar	Mumbai	Nil	59,000
4	K R Bharat	Mumbai	Nil	58,000
5	Genteel Trading Co. Pvt. Ltd	Mumbai	Nil	52,000
6	Anirudh Mundra	Mumbai	Nil	50,000
7	Rajni Jain	Mumbai	Nil	50,000
8	P. Rajyalakshmi	Mumbai	Nil	48,000
9	Vandana Berjis Desai	Mumbai	Nil	40,000
10	Kunal Kumthekar	Mumbai	Nil	15,000
			TOTAL	5,00,000

The identity of the proposed allottees of convertible warrants under preferential offer:

No.	Name	Address	Holding before preferential allotment of Warrants	Holding after conversion of Warrants into Equity Shares
1	Danlaw Systems India Ltd. Raju S Dandu's Family Members and Associates	Hyderabad	18,35,792 (57.007%)	23,35,792 (55.35%)

Your directors recommend the proposed resolutions for the approval of the members.

None of the directors of the Company except Mr. Raju S Dandu and Mr. D S N Raju are concerned or interested in the proposed resolutions.

Item No. 7:

Though the shares of the Company are currently listed on Hyderabad (the Regional Stock Exchange), the Madras Stock Exchange and the Stock Exchange, Mumbai (BSE), the trading of the shares of the Company are done only on BSE. The trading volumes are given in the section of 'General Information to Shareholders' at Page No.: 23.

With the implementation of BOLT (Bombay Online Trading) system and net connectivity of terminals across the country and also abroad, the concept of share trading has undergone a complete change.

Hence, your directors propose and recommend delisting the shares of the Company from Madras Stock Exchange.

None of the directors of the Company are concerned or interested in the proposed resolution.

By Order of the Board
For **Danlaw Technologies India Ltd.**

Hyderabad
August 22, 2005

B S Bhaskar
Company Secretary