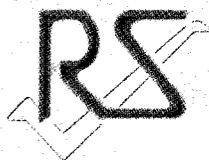


ANNUAL REPORT 2004 - 2005



R S SOFTWARE (INDIA) LIMITED



FOREWORD

We are slowly but surely inching closer towards our goal of becoming a boutique IT consulting company specializing within the Payment Systems niche. Our efforts have started yielding results. Not only in terms of growth in revenues, but also in terms of our ability to showcase competencies in the global payments space. This focus is helping us penetrate even deeper in our existing premium clients, resulting in substantial growth in business. We now have a strategic relationship in place with our largest customer, and we are also forging knowledge alliances with market leaders for Payment Systems technologies that come at a premium. On the people front, not only have we managed attrition well, we have now aggressively joined the War for Talent across multiple locations. Leading sourcing consultants are being roped in to boost lateral ramp-up, which will significantly change our tier-ratio and management bandwidth in the coming months. In sum, we are now ready to take a quantum leap forward and are strategically looking at a much longer time frame.

The market is both optimistic and cautious. But the global electronic transactions space is upbeat and we are now ready to move in to claim our rightful place. Our recent performance at the bourses indicates investor confidence in our business strategy and approach. Let us all look forward to happier times ahead.



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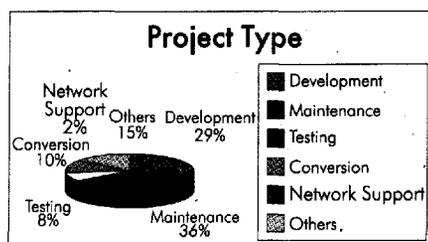
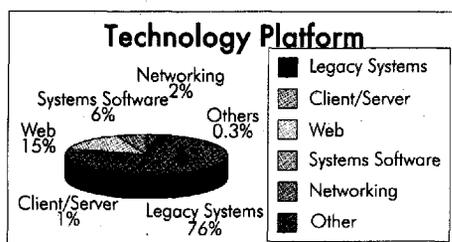
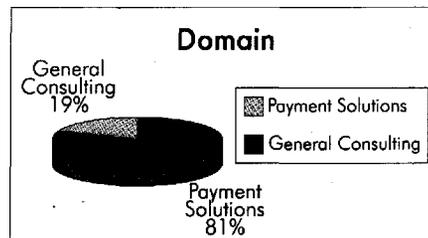
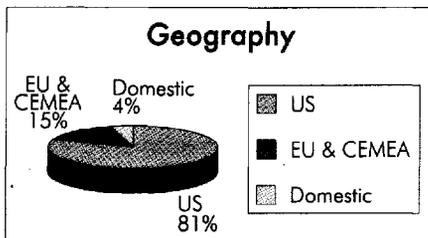


OPERATIONAL HIGHLIGHTS 2004-05

This year, all our major clients in the US & EU regions have not only renewed their contracts with RS, but have also awarded us new projects, many of which have enabled us to foray into newer business areas. These renewals and engagements are proof of the clients' continued confidence in your company's abilities. As a reward for over thirteen years of commitment and perseverance, one of our premium clients chose R S Software as its Strategic Offshore Partner. At a more operational level, a record number of client appreciations from both existing and new clients this year has reiterated our faith in our process architecture and our commitment to go the extra mile to ensure customer delight.

During the year we have added new clients, many of whom are key players in the Payment Solutions domain. For a US based company dedicated to creating cost-efficient electronic payment solutions, RS is building a technology platform which will allow the client to offer their merchants a facility to route payment card transactions through a payment gateway owned and operated by the client. For a leading US based payment processor operating in the U.S. and Europe, RS is working on a migration project, the successful completion of which is expected to bring in many more assignments. Equipped with the unique advantage of possessing the necessary industry knowledge of payment systems together with relevant technology expertise, RS did a product study for a client specialized in network infrastructure, to suggest a way forward for them to succeed in the Payment Systems arena. This year, for the first time, RS ventured into the Middle East market with a contract to provide strategic consulting for a loyalty program integrated with payment systems for a Middle East based investment bank offering a range of consumer credit products.

On the technology front, the last year saw RS tinkering with some cutting-edge stuff. Leveraging its experience and know-how in the area of Biometrics, our high-tech team is developing a fingerprint verification based application and enhancing a biometric-enabled check cashing system developed last year for premium players in biometric technology. In the printer driver area, RS has been involved in development work on Printer Driver for the Linux environment for one of the largest printer suppliers in the world. For a US (and Japan) based leading printing solutions company, RS has been testing printer drivers and utilities and translating them to multiple native languages. For other US based and domestic clients, RS has been working on projects such as maintenance and enhancement of a manufacturing application, development of back-office MIS, web-based CRM, supply chain applications and requirement analysis for power plant software. These apart, RS continues to work on a steady flow of projects for an international distribution and logistics leader and a global developer, manufacturer and supplier of printing solutions and products.





Competency Management

In order to build, nurture and cascade competencies in identified domains in alignment with the corporate direction, your company took a vital step this year by creating a Competency Management Group (CMG). The group, composed of domain experts, has been entrusted the responsibility of continuous market evaluation and knowledge acquisition through organic or inorganic means.

During the year, the CMG regularly interlocked with Sales and validated the competency areas to be built, such as Biometrics, Transaction Reporting, Transaction Switching & Scoring, Check processing, POS integration, Merchant Boarding, Loyalty/Gift card, Smart card and Dispute Management. Competency items like Pinless debit and Printer driver testing got added during the year. Quite a few components like prototypes of data analytics, datamart, merchant plug-in and others have already been prepared after being mapped against some of our clients and prospects. Many of these are expected to be good candidates for revenue generation.

Technology Initiatives

In 04-05, the Technology Organization (TO) has been busy developing new modules and enhancing existing applications for the RS Intranet-based Corporate MIS. Significant among these were the modules created for Finance, Sales & Marketing, Training and Infrastructure Support teams. For the Finance process, TO has automated the generation of the Profit/Loss statement together with detailed views of revenue & expenses of different cost centers. The Sales & Marketing team now has the facility to create, modify & track sales projections and generate reports through an on-line system created by TO. For the Infrastructure teams, the TO has put in place systems to automate resource requirements and track problems reported by employees. The Training process is now equipped with an automated facility for scheduling, tracking and feedback analysis of various training programs. A major achievement this year has been the development of the Enterprise Dashboard, a comprehensive on-line facility that provides views of various organizational metrics and is provided with a drill-down facility.

On the Technology front, TO has been busy building know-how to address a wide range of development environments and business challenges faced by our clients. Expertise built on Linux based driver development during the year actually won us a project based on this technology. While working on .NET and recent advances in Java technologies, TO continues to build collateral on Facial & Fingerprint Biometrics for securing financial transactions in the Payment Space.

HR & Sourcing

Recognizing the fact that employees are the pillars of foundation for success in any organization, your company decided to award stock options to qualifying employees this year. Accordingly, HR took up the job of implementing the ESOP scheme by identifying employees on the basis of consistent high performance, tenure in the organization, potential, criticality and role. Apart from motivating and retaining the best talents, this decision is expected to encourage ESOP winners to provide leadership to the organization's key performance areas in a manner such that RS Software's corporate strategic intent is fully realized.



In a bid to encourage employees to upgrade their skills, HR announced a new certification policy this year. This is intended to enable professionals to acquire higher learning that would help them in their career growth, while bringing value to the organization in terms of creation of knowledge and skills within the work force. The HR function has introduced several new services during the year. These include a drop-box facility whereby employees can submit their personal bills, such as telephone, mobile phone, electricity, credit card, road tax and Municipal tax bills. HR has also tied up with a leading bank to facilitate cheaper home loans. The other major activities were the completion of the tiering exercise started last year for all employees across the Domain, Technology & Execution tracks and the Employee Satisfaction Survey undertaken for the purpose of gauging the satisfaction level of employees and taking appropriate steps to redress grievances.

During the year, apart from fulfilling positions for new projects and addressing the ramp-up in existing ones, the Sourcing function was extremely busy working on strategies to attract senior level professionals into the company. In its quest to attract the right skills, Sourcing worked towards tie-ups with HR consultants in major locations all over India. This apart, Sourcing is working closely with Corporate Communications to align the content of the career pages in the RS website with the company's business focus and is planning partnerships with PR agencies to facilitate sourcing initiatives.

Infrastructure Support

For the infrastructure teams, this has once again been a very busy year. Meticulous planning and hectic renovations took place for setting up a new Offshore Development Center at our premises in Kolkata for one of our premium clients. This involved procuring state-of-the-art network computers, servers, associated networking & security equipment and building high-speed network connectivity and Internet link with well-defined backup and disaster recovery plans. This apart, the teams were busy resuming operations with a brand new infrastructure setup for another of our major clients at our other development center in Kolkata.

This year, a significant role was played by the teams in tandem with other project and support groups for achieving the BS7799 certification. Information security practices were introduced through policy and procedures designed to adhere to BS7799 standards. Physical security measures were enhanced by implementing CCTV monitoring and dual authentication based access control system. The company .COM mail server, previously hosted at an Internet Service Provider in US, was setup at Kolkata to ensure better service to employees, and an enterprise backup solution was added to the infrastructure, to ensure fast backup and recovery of organization-wide data.

The major challenge successfully faced by the Infrastructure teams this year was to achieve maximum productivity while ensuring optimum utilization of funds and space. Meeting the delivery timeline for requirements, improvising vendor services and maintaining compliance with Customs formalities were amongst the major goals. While process improvement efforts are in progress towards achievement of these goals, the infrastructure teams continue to interlock with other functions to establish greater synergy and cohesiveness.

Quality and Benchmarking

This fiscal has been a year of achievements for the Quality and Benchmarking (Q&B) function. The intense efforts put in from the previous fiscal to implement Information Security processes in line with the BS7799 requirements have borne fruit in 04-05. The company completed the first stage of the certification process in March '05, and



finally received the BS7799 certification in April 2005. With this, your company has added one more feather in its cap, carrying forward the culture of benchmarking against global best practices. During the year, Q&B also facilitated the audit that was conducted by the Deloitte & Touche Consulting Group on the Offshore Development Center for one of our premium clients in Aug Sep 2004. It is also in this year that the Customer Satisfaction Survey program was launched for Account Management and for Staff Augmentation projects. Other activities included enhancement of the Change Management process to ensure proper tracking of additional effort invested in projects and revision of the Service Level Agreement for Sourcing to incorporate Tier and Skills management program.

Corporate Communications

The major focus for Corporate Communications this year was to support Sales in marketing, branding and showcasing the various prototypes, tools and solution frameworks that Competency and Execution is helping to build as proof of our domain knowledge and abilities in Payment Systems. Throughout the year, the team has been engaged in various brand building activities like launching of a new Payment Solutions focused website, supporting the Sales and Execution team by creating various business collateral for visiting clients, and creating inputs for showcasing our abilities at international events like the annual conference of the Electronic Transactions Association in Las Vegas and the IT Directors' Strategy meet in London. In fact, our first-ever international ad came out in the Transaction World, a leading trade magazine in the Payment Systems domain. In recognition of the fact that our ex-employees are our true brand ambassadors and have the potential to support us in acquiring the right talent, RS organized an Alumni Meet and also launched an Alumni website to help ex-employees remain in touch with RS and with each other. A decision has now been taken to extend the employee incentive scheme for referral-based recruitments to our Alumni members. The Corp. Communication team has started working closely with the Global Sourcing Process to spruce up the career pages in the corporate website, and is also building smart collateral to attract lateral talent from other regions. To spread the brand thru the media, we have started bringing out technology write-ups in leading dailies and have also started talking to various PR agencies to work out a low cost but effective branding strategy. All these activities are helping improve our market visibility and is also having a positive impact on retention of our employees, who had the opportunity to attend our first ever Annual Day celebrations in November last year.

Training and Knowledge Management

During this year, the Training Function continued to review knowledge gaps and upgrade the knowledge bandwidth of the organization, while creating new learning opportunities. The training programs and knowledge sharing sessions that happened, had a direct impact on existing business or for creating opportunities for new business. Sessions on technology, methodology, business domain, specific rare upcoming skills, management & soft skills and client-specific systems and procedures were organized using learning modes as varied as workshops, CBTs, virtual classrooms, certification, mentoring and tele-learning.



BOARD OF DIRECTORS



Mr. K. S. Bhatnagar, Chairman



Mr. R. R. Jain, Vice Chairman & Managing Director



Maj. Gen. A. Balasubramaniam (Retd.), Director



Mr. S. K. Jain, Director



Dr. P. K. Basu, Nominee Director (ICICI)
Resigned on January 29, 2005



Mrs. S. Jain, Director



Mr. S Khasnobis Nominee Director (ICICI)
Joined w.e.f April 26, 2005



EXECUTIVE COUNCIL



Mr. R. R. Jain
C.E.O.



Mr. Kunal Sen
VP Finance & Company Secretary



Mr. Bibek Shankar Das
VP Corporate



Mr. Rakesh Srivastava
General Manager,
Business Development, US



Mr. Rajil Vohra
General Manager,
Business Development, US



Mr. Debasis Bandyopadhyay
Associate Vice-President,
Execution



Mr. Aniruddha De Choudhury
General Manager,
Corporate Planning & Development



Mr. Sanjib K. Mukherjee
Deputy General Manager,
Corporate HR



Mr. Aniruddha Rai Chaudhuri
General Manager,
Quality & Benchmarking



Mr. Prasun Maharatna
Manager,
HR & Sourcing (US)



Mr. Sabyasachi Chatterjee
CTO & Business Manager



Mr. Pradyp Kanabar
Manager,
Business Development, UK



NOTICE TO MEMBERS

The Seventeenth Annual General Meeting of RS Software (India) Limited will be held on Tuesday, 19th July 2005 at 3.30 pm at Sisir Mitra Hall, Webel Bhavan, Block EP & GP, Sector V, Bidhan Nagar, Kolkata 700 091 to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the Audited Balance Sheet as on 31.03.2005 and Profit & Loss Account for the year ended on that date and the Report of Auditors and Directors thereon.
2. To appoint a Director in place of Mr. K S Bhatnagar who retires by rotation and being eligible offers himself for reappointment.
3. To appoint a Director in place of Mrs. Sarita Jaini who retires by rotation and being eligible offers herself for appointment.
4. To appoint Auditors and to fix their remuneration and for this purpose to consider and, if though fit, to pass the following resolution as an Ordinary Resolution.

“Resolved that pursuant to the provision of Sec 224 and other appropriate provision, if any, of the Companies Act 1956, Messrs Chaturvedi & Company to retire at the conclusion of the Meeting be and are hereby re-appointed Auditors of the company to hold office from conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company at a remuneration to be decided by the Board of Directors of the Company”.

SPECIAL BUSINESS

5. To consider and, if thought fit to pass, with or without modifications, the following ordinary resolution:
“Resolved that the Company do hereby approve the remuneration payable as given below to Shri R R Jain, Vice Chairman & Managing Director (VCMD) of the Company with effect from 1st October 2005, the date when the last contract with VCMD expired as determined by the Compensation Committee followed by the Board of Directors of the Company and specified hereunder in accordance with and subject to the conditions of Schedule XIII of Company's Act 1956 and any other applicable provisions under the said Act.

| Monthly | (Rs.) |
|--|------------------|
| Basic | 150,000 |
| HRA | 75,000 |
| Monthly Gross | 225,000 |
| Yearly Gross | 2,700,000 |
| Annual Benefits | |
| Medical subject to production of bills limited to | 100,000 |
| LTA subject to production of bills limited to | 100,000 |
| PF @ 12% on Basic | 216,000 |
| Group Mediclaim Premium | 5,600 |
| Gratuity @ 15 days salary for each completed year of service | 86,538 |
| Grand Total per annum | 32,08,138 |