

12th ANNUAL REPORT

2005-2006

for the year ended 31st March 2006

IEC SOFTWARES LTD.

Regd. Office:

IEC HOUSE, M-92, Connaught Place (opp. Super Bazar), New Delhi -110001

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12th Annual Report 2005-2006

Board of Directors

Chairman

Brig. S V S Chowdhary (Retd.)

Whole Time Director

Mr. L.C.Goel

Directors

Mr. R.L.Gupta

Mr. Kailash Nath

Mr. Sarabjit Singh Saini

Brig. S V S Chowdhary (Retd.)

Company Secretary

Ms. Alka Arora

Bankers

Central Bank of India

Auditors

M/s Nath & Hari, Chartered Accountants

Regd. & Head Office:

IEC HOUSE, M-92, Connaught Place, New Delhi - 110001

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COMMITTEES OF BOARD OF DIRECTORS

Audit Committee

Brig. S.V.S. Chowdhary, Chairman
Mr. Kailash Nath, Member
Mr. Sarabjit Singh Saini, member

Shareholder's Committee

Mr. Kailash Nath, Chairman
Brig. S. V. S. Chowdhary, Member
Mr. Sarabjit Singh Saini, member

Remuneration Committee

Brig. S. V. S. Chowdhary, , Chairman
Mr. Kailash Nath, Member
Mr. Sarabjit Singh Saini, member

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NOTICE

Notice is hereby given that the Twelfth Annual General Meeting of the members of IEC Softwares Ltd. will be held on Monday, September 25, 2006 at 10.00 a.m. at Shah Auditorium, 2, Raj Niwas Marg, Delhi - 110 054 to transact the following business;

Ordinary Business

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March'2006 and Profit and Loss account for the year ended on that date alongwith the Directors' Report and Auditors' Report thereon.
2. To consider and appoint a Director in place of Mr. R. L. Gupta, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration. M/s Nath & Hari, Chartered Accountants, the retiring Auditors, being eligible offer t themselves for re-appointment.

Special Business

4. To Consider and, if thought fit to pass, with or without modifications the following resolution as an Ordinary Resolution:

“Resolved that Mr. Sarabjit Singh Saini, who was appointed as an Additiona l Director at the meeting of the Board of Directors of the Company held on 25th October, 2005, and whose term expires at the Annual General Meeting of the Company Scheduled to be held on 25th September, 2006 and for appointment of whom the Company has received a notice under section 257 of the Companies Act, 1956 with a deposit of Rs. 500/- which will be refunded if the appointment is confirmed, from a member for proposing his candidature for the office of a Director, be and is hereby appointed as Director of the Company whose period of office will be liable to determination by retirement by rotation.”

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY SO APPOINTED NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED AT THE COMPANY'S REGISTERED OFFICE NOT LATER THAN FOURTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**

2. Shareholders seeking any information with regard to the accounts are requested to write to the Company at an early date but not later than 48 hours before the scheduled time of holding the AGM so as to enable the Management to keep the information ready.
3. Members/Proxies should bring the attendance slip duly filled in for attending the meeting.
4. Shareholders are requested to kindly bring their copies of Annual Report to the meeting.
5. **Information required to be furnished under the Listing Agreement.**

Brief particulars of Directors who are proposed to be **appointed/re-appointed** are given below:

Name of the director:	Mr. R L Gupta
First date of appointment:	23.08.94
Date of birth:	10.11.36
Educational Qualification:	B. A., L.L.B.
Brief Profile:	He being the founder Director of the Company has played the key role in the growth of the Company. Being in the legal profession, he has vast experience in legal matters and corporate affairs. He has also vast experience in the field of general administration, management, planning and strategy.

Name of the director:	Mr. Sarabjit Singh Saini
First date of appointment:	25.10.05
Date of birth:	12.10.71
Educational Qualification:	B. Com.
Brief Profile:	He is a successful industrialist having wide experience in running industry and business. He has a rich experience in administration, finance and various aspects of business dealing. He has a rich experience in dealing with higher Government authorities and handling successfully large workforce.

6. The register of members and share transfer books of the Company will remain closed from 20th day of September 2006 to 25th day of September 2006 (both days inclusive).



7. Members are requested to quote their registered folio/Client ID number in all correspondence with the Company and notify the Company immediately of change, if any, in their address.

**By Order of the Board
For and on behalf of IEC Softwares Ltd**

**Date: 24.08.2006
Place: New Delhi**

**Alka Arora
Company Secretary**

Annexure to Notice

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.

Item No. 4

Mr. Sarabjit Singh Saini was appointed as Additional Director of the Company with effect from the 25th October, 2005, his term as Additional Director expires on the date of this Annual General Meeting pursuant to section 260 of the Companies Act, 1956 and Articles of Association of the Company. A notice under section 257 of the said Act with a deposit of Rs. 500/- which will be refunded if the appointment is confirmed has been received from a member signifying his intention to propose the name of Mr. Sarabjit Singh Saini for appointment as Director of the Company. Mr. Sarabjit Singh Saini has filed with the Company his consent to act as Director.

The Directors recommend his appointment as a member of the Board in the interest of the Company.

None of the Directors of the Company are concerned or interested in the Resolution

**By Order of the Board
For and on behalf of IEC Softwares Ltd**

**Date: 24.08.2006
Place: New Delhi**

**Alka Arora
Company Secretary**

Directors' Report

Your Directors take pleasure in presenting the Twelfth Annual Report along with the Audited Statement of Accounts for the financial year ended March 31, 2006.

FINANCIAL RESULTS

(Rs. in lacs)

	Year ended 2006	Year ended 2005
Income from Operations	454.67	1213.81
Other income	6.18	17.94
Total Expenditure	981.22	1045.16
Interest	73.76	24.45
Gross Profit/(loss) after Interest But before Depreciation & Tax	(594.13)	162.14
Depreciation	186.87	240.70
Provision for Taxation	0.39	NIL
Deferred Tax (Liability) / Asset	239.67	18.08
Profit/(loss)	(541.72)	(60.48)
Profit/(Loss) Brought forward	(967.95)	(907.47)
Profit/(loss) transferred to Balance Sheet	(1509.67)	(967.95)

BUSINESS OPERATIONS

“Current Scenario”

Your company has started making fresh initiatives in re-establishing its Franchisee business and has got reasonable success in establishing some new franchisees in Himachal Pradesh, Madhya Pradesh.

Your Company has maintained a healthy profile in servicing the contracts of computer education in Govt. schools and colleges.

The computer education and training project in the Govt schools of NCT, CEP -I and II and Gyanoday project in Madhya Pradesh has been completed successfully.

Your Company is able to grab the computer education and training project in the Govt schools of NCT, CEP-IV worth Rs. 40 Cr. and is not able to implement it due to certain reasons, which is now sub judice before the Hon'ble High Court of Delhi.

The Loss incurred by the Company during its lean period was due to blockage of huge chunk of money in Delhi government, for which we are hopeful, that it will be released in near future.

“Future Plan”

The Company is planning to diversify in the areas of Call Centers, Back Office Operations etc. The Company is trying to strengthen its leadership position in IT Training within India. The franchise business, which was once a core area of operation of your Company in the early nineties, has again been revived and we are hopeful to “sign in” a fair number of new franchisees within a very short period of time. The endeavor in this area is, to create a network first by charging reasonably low franchise fee and then enhance values once the culture and awareness is sustained and of course increase the service inputs to them.

With respect to new business, all our efforts are being made to make ingress into new areas as stated earlier and you can certainly look forward, hopefully to a better tomorrow.

“Financial Performance”

During the year commencing from 1st April 2005 till 31st March 2006, the Company has recorded a Total Revenue of Rs. 460.85 Lacs as against the total revenue of Rs. 1231.75 Lacs during the previous year.

Although the total revenues of the Company during the year has shown decline of 62.59%, the Company has suffered Loss of Rs. 541.72 Lacs against loss of Rs. 60.48 Lacs during the previous year.

The Company during the year has concentrated to become a Debt free Company and in its endeavor has made Compromise Settlement with Central Bank of India and Compromise Settlement has been approved at Rs. 145.00 Lacs. The amount of Rs. 145.00 Lacs is payable upto 21st September, 2006 alongwith interest of the Bank.

Your Company in the past three years has suffered huge losses on account of several factors including opening of Regional Engineering Colleges in the Country however, due to its strong brand equity and commitment of its existing promoters, the Company will pass this bad phase.



DIVIDEND

As the Company has suffered loss during the financial Year 2005-2006. Your Directors do not recommend any dividend.

RESERVES

No reserves created during the year.

DIRECTORS

In accordance with provisions of Companies Act 1956 and Articles of Association of Company, Mr. R.L. Gupta, retire by rotation this year and being eligible, offer themselves for re-appointment.

Mr. H.K. Gupta, Non Executive Director, ceased to be the Director of the Company due to his sad demise on 22nd August, 2006.

SUBSIDIARY COMPANY

M/s IEC Leasing and Capital Management Ltd. subsidiary of IEC Software Ltd. is engaged in leasing business. The reports and audited accounts of IEC Leasing and Capital Management Ltd. along with statements pursuant to Section 212 of the Companies Act, 1956 form part of Annual Report.

INVESTMENT

During the financial year 2005-2006, no investment was made by the Company.

REGISTRAR AND SHARE TRANSFER AGENTS

The work relating to shares in Demat and physical mode is done by Registrar and Transfer Agents of the Company: M/s Alankit Assignment Ltd., 2E/21, Anarkali House, Jhandewalan Ext., New Delhi-110055.

Members are requested to send their correspondence regarding transfer of shares, Demat of shares and other queries to Registrar and Share Transfer Agents.

AUDITORS

M/s Nath and Hari, Chartered Accountants, who retire at the ensuing Annual General Meeting and are eligible to be re-appointed.

CONSERVATION OF ENERGY

The Operation of the Company are not energy intensive. However, appropriate measures wherever possible, will kick off to conserve energy.

TECHNOLOGY ABSORPTION

The present global business scenario basically comprised of Competition and Innovation. Your Company endeavors to move with the time, in order to keep pace with fast changing technological innovation.

PARTICULARS OF EMPLOYEES UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956.

Particulars of employees as required under 217(2A) of the Companies Act, 1956, read with Companies (Particular of Employees) Rules, 1975, as amended, are not given, as none of the employees qualifies for such disclosure.

INFORMATION UNDER SECTION 217(1) (e) OF THE COMPANIES ACT, 1956.

The Company being engaged in Software Training, Development & Consultancy, therefore no disclosure relating to conservation of energy and technological absorption is reported.

FOREIGN EXCHANGE EARNING & OUTGO

The details of the earning and outgo of the foreign exchange is given below.

	(in Rs.)
Earning	Nil
Outgo	Nil

DIRECTORS' RESPONSIBILITY STATEMENT AS PER SECTION 217(2AA) OF THE COMPANIES ACT, 1956

As required under Section 217(2AA) of the Companies of the Companies Act, 1956, the Directors hereby confirm that:

- (i) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- (ii) The directors have selected such accounting policies and applied them consistently and made judgments 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 loss of the Company for that period.
- (iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities.
- (iv) The Directors had prepared the annual accounts on a going concern basis.

PUBLIC DEPOSITS

The Company has not invited or accepted public deposits during the year.

LISTING OF SHARES

The names & addresses of stock exchanges where shares of your Company are listed are: -

- **The Delhi Stock Exchange Association Ltd.**, DSE House, 3/1 Asaf Ali Road, New Delhi-110002
- **The Stock Exchange, Mumbai**, Phiroze Jeejeebhoy Tower, 25th Floor, Dalal Street, Mumbai-400001
- **The Jaipur Stock Exchange Ltd**, JLN Marg, Malviya Nagar, Jaipur -302017

The Listing fee for the year 2005 -2006 has been paid on time to all the Stock Exchanges.

APPRECIATION

Your Directors wish to extend their thanks and appreciation to all the employees of Company at all levels, shareholders, business associates of the Company for their commitment, dedication, hard work and their respective contribution to the Company's success during the year under review.

Place: New Delhi
Date: 24.08.2006

For and on behalf of the board

Brig. S V S Chowdhary
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE AND DEVELOPMENT .

The Year 2005 started off with cautious optimism and showed signs of an up t rend resulting in good overall growth in IT Industry in the year 2005 -06. The feel good factor was evident across the board and the country's foreign exchange reserve touched an all time high. The Government and institutional business in the IT Training se ctor has been growing and many State Governments are coming with tenders for IT education in Schools and Colleges.

So far IEC is concerned, the Company has received success in renewing the contract for one and Three years with respect to imparting Compute r Education and Training in Government School & Colleges of Rajasthan respectively .

1. OPPORTUNITIES, THREATS/RISK

a) Opportunities: -

Your Company has set itself firmly in the path of being leader in IT Turnkey Education in India. The Company sees an immense opportunity of growth in Institutional/Government Projects and is confident of getting some new projects and as well as able to get renew some of the existing projects.

b) Threats

Being a part of the IT Industry your company would certainly be exposed to the risk of technological obsolescence. However, your company has taken sufficient steps in setting up advisory groups, whose recommendations are periodically reviewed and implemented to reduce the risk of obsolescence.

The over all IT education Industry is passing from a phase of consolidation and in the times to come only few serious players will be left who will be sharing the business more or less equally. Considering your company's established brand name and the network, your company is fully prepared to face this competition effectively.

2. OUTLOOK

The outlook for the future looks quiet hopeful with new business opportunities unfolding in various sectors of Government, Public Limited and Private Sector, for which IEC is confident to achieve a better market share in the coming year.

3. SEGMENT WISE PERFORMANCE

a) Franchise Business:-

Your company has started making fresh initiatives in re-establishing its Franchisee business and has got reasonable success in establishing some new franchisees in Himachal Pradesh, Madhya Pradesh and Nepal.

b) Institutional business: -

In the year 2005-06, Government was the highest IT spender, which has resulted in large size contracts to some of the Companies in the country. The Institutional segment on a broader basis circumscribes Tenders for Government School. The Computer Education Programme i.e. CEP IV in Government Schools worth Rs. 40 Cr. is sub judice before the Hon'ble High Court of Delhi. The Year 2006-07 looks extremely promising and the Company is expecting to make rapid strides for higher growth in this segment.

4. RISK MANAGEMENT

The Company constantly endeavors to broaden the charter of risk management to include opportunities as well as threats. It uses an integrated risk management approach, using a number of techniques to cover the full range of risks in the framework like legal & statutory risks, management risks etc. Today, risk assessment and mitigation is an important part of decision making and management at all levels of the Company.

5. INTERNAL CONTROL SYSTEMS AND ITS ADEQUACY

There are well-established procedures for Internal Controls for operations of the Company and its subsidiaries. The finance and internal audit functions are well equipped with professionally experienced qualified personnel and play important roles in implementing and monitoring the statutory and internal control environment. The Company has also constituted audit committee for guidance and proper control of the affairs of the Company.

The meetings of the Audit Committee are held periodically to review and recommend, inter alia, the quarterly, half yearly and annual financial statements of the Company. The committee also holds discussions with Company's statutory Auditors and the Management on matters pertaining to internal controls, auditing and financial reporting. The Committee reviews with the Statutory Auditors the scope and results of the audits.

The Company has appointed Internal Auditor to introduce the adequate control procedures and internal audit report shall be reviewed by the Audit Committee.

6. DISCUSSION ON FINANCIAL PERFORMANCE

The recession in education has also affected the profitability of the Company and turnover of the Company fell from Rs. 1231.75 Lacs to Rs. 460.85 Lacs. The net loss of the Company increased from Rs. 78.57 Lacs in the year 2005 to the loss of Rs. 781.00 Lacs in the year ended in March, 2006. The net worth of the Company has decreased from Rs 1583.99 Lacs to Rs. 1063.58 Lacs.

7. HUMAN RESOURCES DEVELOPMENT

Human Resources are highly valued asset at IEC Software Ltd. The Company seeks to attract, retain and nurture technical and managerial talent across its equitable operations and continues to create, sustain and entrance into the environment that brings out the best in our people with emphasis on learning, training and development and career progression. Performance is recognised and rewarded through up gradation and job enrichment, performance, incentives.

8. CAUTIONARY STATEMENT

Statement in the Management Discussion and Analysis describing the company's objective, projections, estimates, expectations may be "Forward Looking Statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could influence the company's operations include economic developments with in the country, demand and supply conditions in the industry, input prices, changes in government regulations, tax laws and other factors such as litigation and industrial relations.

REPORT ON CORPORATE GOVERNANCE

Company's Philosophy about the Corporate Governance

Your Company is committed to maintaining the highest standards of Corporate Governance in its dealing with its various stakeholders. It is an integral part of the Company's core value which includes transparency, integrity, honesty and accountability. In the dynamic corporate environment the common investor finds it difficult to monitor his investments and therefore great responsibility is placed on the Board of Directors.

The Company attaches great importance to investor relations and has a firm belief that Code of Corporate Governance provides the structure by which rights and responsibilities are monitored and distributed among different members of the Company.

Our broad-based Board of Directors has been constituted in compliance with the Companies Act, 1956, the Listing Agreement with the Stock Exchanges, and is in accordance with the best practices in Corporate Governance. The functions of the Board of Directors and Board Committees are well defined and transparent. All the Board Committees are chaired by an Independent Director.

Your Company has complied with the requirements of the Corporate Governance Code, the disclosure requirements of which are given below:

Board of Directors – Composition

The present strength of Board of Directors is five, out of whom one is an Executive Director and four are Non-Executive Directors, constituting more than 50% of the total strength, who bring in a wide range of skills and experience to the Board. The Company has a Non -Executive Chairman and the number of Independent Directors is more than one -third of the total number of Directors. The composition of the Board is in conformity with Clause 49 of the Listing Agreement.

The Independent Directors do not have any other material pecuniary relationship or transactions with the Company, its Promoters, its management or its Subsidiaries, which in the opinion of the Board may affect the independence of judgment of the Directors.

Apart from the usual supervision of Company's working, Board devotes its valuable time in:-

- 1) Formulating Strategic and Tactic Business Plans.
- 2) Monitoring Fixed and Variable Budgets.
- 3) Ensuring ethical behavior and compliance with laws, rules and regulations.

None of the Directors on the Board is a 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 Director.

The composition of the Board as on March 31, 2006 was as under:

Name	Business Relationship	Category of Director	No. of outside Director ship(s)	No. of membership in other committees *	No. of Chairmanship in other Committees*	Remarks
Mr. G.L. Tandon	Chairman (Honorary)	Independent, Non-Executive	07	04	01	Resigned w.e.f. 23.08.2005
Mr. L.C.Goel	Director	Executive	Nil	Nil	Nil	
Col. Sanjiv Mehta	Director	Executive	Nil	Nil	Nil	Resigned w.e.f. 15.10.2005
Mr. R.L. Gupta	Director	Non- Executive	02	Nil	Nil	
Mr. Navin Gupta	Director	Non-Executive	02	Nil	Nil	Resigned w.e.f. 31.03.2006
Mr. Mukesh Gupta	Director	Non-Executive	01	Nil	Nil	Resigned w.e.f. 04.04.2006
Brig. S.V.S. Chowdhary	Director	Independent, Non-Executive	01	Nil	Nil	
Mr. H.K.Gupta	Director	Independent, Non-Executive	Nil	Nil	Nil	Ceased to be Director due to death on 22.08.2006.
Mr. Kailash Nath	Director	Independent, Non-Executive	Nil	Nil	Nil	
Mr. Sarabjit Singh Saini	Additional Director	Non Executive	02	Nil	Nil	Appointed w.e.f. 25.10.2005

* Committees include Audit Committee, Remuneration Committee, Investors' Grievances Committee/Share Transfer Committee.

Number of Board Meetings, attendance at Board Meetings and previous Annual General Meeting:

Since the last financial year your Board met Eight times (as against 4 as statutory requirement). The gap between the two meetings was not more than four months. The details of the Board Meeting are given below:

Name	No. of Board meeting attended	Attendance at the last AGM held on 27.09.2004	Remarks
Mr. G.L. Tandon	02	No	Resigned w.e.f. 23.08.2005
Col. Sanjiv Mehta	05	Yes	Resigned w.e.f. 15.10.2005
Mr. L.C.Goel	08	No	Appointed as the Executive Director w.e.f 16.10.03
Mr. R.L. Gupta	08	No	
Brig. S.V. S Chowdhary	07	No	
Mr. Navin Gupta	07	Yes	Resigned w.e.f. 31.03.2006
Mr. Mukesh Gupta	08	Yes	Resigned w.e.f. 04.04.2006
Mr. H.K.Gupta	07	Yes	Ceased to be Director due to death on 22.08.2006.
Mr. Kailash Nath	07	Yes	
Mr.Sarabjit Singh Saini	01	No	Appointed as Additional Director w.e.f. 25.10.2005

Dates of Board Meetings

20th April, 05, 20th May, 05, 23rd July, 05, 17th August, 05, 6th September, 05, 25th October, 05, 23rd December 05, 12th January, 06

Code of Conduct

The Board of Directors framed a Code of Conduct to be followed by the members of the Board and Senior Managers of the Company. A copy of the Code has been delivered to the concerned person. All the Directors and Senior Managers have affirmed compliance with the Code.

The copy of the Code of Conduct is available on the Website of the Company.

DETAILS OF COMMITTEE OF BOARD

In accordance with the Listing Agreement of stock exchanges on Corporate Governance, the following Committees were formed:

- ❖ Audit Committee
- ❖ Remuneration Committee
- ❖ Shareholder/Investor Grievance Committee

AUDIT COMMITTEE

As a measure of good Corporate Governance and to provide assistance to the Board of Directors in fulfilling the Board's oversight responsibilities, an Audit Committee has been constituted which is headed by an Independent Director.

The Composition of the Audit Committee as on March 31, 2006 was as under:

1. Brig. S.V.S. Chowdhary, Chairman
2. Kailash Nath, Member
3. H.K Gupta, Member (ceased to be member due to death on 22.08.2006)

After the death of Mr. H.K. Gupta, member, the Audit Committee is reconstituted by appointing Mr. Sarabjit Singh Saini in place of Mr. H.K. Gupta, member.

The Chairman of the audit Committee is Brig. S.V.S Chowdhary is an expert in Finance and Accounts.

The terms of the reference and role of the Audit Committee are as follow:

- Overseeing of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- Recommending the appointment/removal of external auditor, fixation of audit fee and also approval for payment for any other services;

- Reviewing with Management the Annual financial statements before submission to the Board, focusing primarily on;
- Reviewing with the Management, external and internal auditors, the adequacy of internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit;
- Discussion with internal auditors of any significant findings and follow-up thereon;
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is a suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
- Discussing with external auditors before the audit commences, the nature and scope of audit as well as have post audit discussions to ascertain any area of concern;
- Reviewing the Company's financial and risk management policies;
- Any changes in accounting policies and practices;
- Major accounting entries based on exercise of judgement by Management;
- Qualifications in draft Audit Report;
- Significant adjustments arising out of audit;
- The going concern assumption;
- Compliance with Accounting Standards;
- Compliance with Stock Exchange and legal requirements concerning financial statements;
- Any related party transactions i.e. transaction with promoters, management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.

The details of the Committee Meeting held during the year are given below:

Name	No. of Audit Committees held	No. of Audit Committee meetings Attended	Remarks
Brig.S.V.S Chowdhary	05	05	
Mr.Kailash Nath	05	05	
Mr. H.K Gupta	05	05	Ceased to be Member due to death on 22.08.2006.

REMUNERATION COMMITTEE

The Board of Directors has formed a Remuneration Committee on 30.04.2002 to determine the remuneration package for the Executive Directors including their pension rights and any compensation and for the periodical appraisal of the performance of Executive Director. The Remuneration committee is headed by an Independent Director.

The Composition of the Remuneration Committee as on March 31, 2006 are as under:

1. Brig. S.V.S. Chowdhary, Chairman,
2. Mr. Navin Gupta, Member (resigned w.e.f. 31.03.2006)
3. Mr. Kailash Nath, Member

After resignation of Mr. Navin Gupta, member, the Remuneration Committee is reconstituted by appointing Mr. H.K. Gupta in place of Mr. Navin Gupta, member.

After the death of Mr. H.K. Gupta, member, the Remuneration Committee is reconstituted by appointing Mr. Sarabjit Singh Saini in place of Mr. H.K. Gupta, member.

No meeting of the Remuneration Committee has been held during the year under review.

The remuneration paid to the Executive Directors and sitting fees to non - executive Directors for the year 2005 -06 is given hereunder:

Name of the Director	Remuneration including Incentives etc. (Rs)	Sitting fee for meeting of Board of Directors or Committee thereof	Remarks
Mr. G.L. Tandon		1500	Resigned w.e.f. 23.08.2005
Mr. L.C. Goel	NIL	NIL	
Mr. R.L. Gupta	NIL	6000	
Mr. Navin Gupta	NIL	5250	Resigned w.e.f. 31.03.2006
Mr. Mukesh Gupta		9500	Resigned w.e.f. 04.04.2006
Brig.S.V.S.Chowdhary		12250	
Mr.Kailash Nath		11000	
Col. Sanjiv Mehta	116000		Resigned w.e.f. 15.10.2005
Mr. H. K Gupta		13250	Ceased to be the Director due to death on 22.08.2006.
Mr.Sarabjit Singh Saini	NIL	750	Appointed as Additional Director w.e.f. 25.10.2005

The sitting fee for attending the meeting of Board of Directors is Rs.750/- per meeting and that of committee is Rs.250/- per meeting.

Shareholders Committee (Investors' Grievances Committee)

The Company formed the Shareholders Committee (Investors' Grievances Committee) on 16th June 2001 to look into the following matters:

- To look into the investors grievances and redressal thereof.
- To see that investors queries are replied within the specified time limit from the date of receipt of such query and no investor grievance is kept pending for a period more than the time specified except in case which are constrained by dispute or legal impediments.
- To see that the shares are transferred within the specified time limit from the date of lodgement of the transfer.

- To see that shares are transferred without any hindrances except in the case of material defect in the share transfer deed.
- To see that dividend, if any, declared by the members/board are remitted to the shareholders within the time limit as provided in the Companies Act, 1956.
- To see that unpaid and unclaimed dividend are transferred to the unpaid dividend account within the period specified in the Companies Act, 1956.
- To register the change of address, transposition of name, dematerialization request, loss of share certificate, issue of duplicate share certificate and any other kind of investor grievances.
- To see that all the kind of notices, details to be furnished to shareholders and any other information as asked by the shareholder are furnished within appropriate time limit.
- To see that the statutory books are kept open for the inspection of shareholders as provided in the Companies Act, 1956 and extracts, copies thereof furnished within specified time limit in accordance with the provisions of Act .

The Committee is headed by an Independent Director. The Company attended to most of the investor grievances/correspondence within a period of ten days from the date of receipt of the same, except in cases, which are disputed or have legal impediments.

Details of Meetings and Attendance during the financial year 2005 -06.

Name of Member	No. of Meeting Held	No. of Meeting attended
Mr. Kailash Nath	24	18
Brig. S.V.S. Chowdhary	24	23
H.K Gupta (died on 22.08.2006)	24	24
Mukesh Gupta (resigned)	24	14

Details of Complaints received and redressed during the year 2005 -06 are here below:

Particulars	Complaints Received	Complaint Redressed	Pending Complaints
Change of Address	Nil	Nil	Nil
Transmission	Nil	Nil	Nil
ECS / Mandate	Nil	Nil	Nil
Duplicate certificate	Nil	Nil	Nil

Total NIL Complaints/requests were received during the financial year 2005 -2006.

Name and designation of Compliance officer for Financial Year 2005 -2006.

Ms. Alka Arora, Company Secretary of the Company is compliance officer of the Company.

GENERAL BODY MEETING

Location and date of the last three Annual General Meetings of the Company: -

Year	Date of AGM	Venue	Time
2002-2003	22.09.2003	Shah Auditorium, 2, Raj Niwas Marg, Delhi- 110054	10.00 a.m.
2003-2004	27.09.2004	Shah Auditorium, 2, Raj Niwas Marg, Delhi- 110054	10.00 a.m.
2004-2005	26.09.2005	Shah Auditorium, 2, Raj Niwas Marg, Delhi - 110054	10.00 a.m

Company has passed **special resolutions** in the previous Three Annual General Meetings.

No Special Resolution was passed at the last Annual General Meeting which falls under the Companies (Passing of the Resolution by Postal Ballot) Rules 2001. None of the business required to be transacted at this AGM is proposed to be passed by postal ballot.

DISCLOSURE:

- a) The Company has not entered into any transactions of a material nature with the Promoters, Directors or the Management, their subsidiaries or relatives that may have potential conflict with the interest of the Company at large.
- b) Company has neither been penalized, nor have any strictures been imposed by the Stock Exchange, SEBI or any statutory authority, during the last three years on any matter relating to the capital market.
- c) The Company has not accepted any Public Deposits under Section 58A and Section 58AA of the Companies Act 1956. Hence the provision of the said section and the rules are not applicable.
- d) The Company has duly followed the Accounting Standards in the preparation of Financial Statements.
- e) The Company is prompt in making payments of statutory dues to various statutory authorities like for TDS , PF,etc. other than in exceptional and unforeseen financial circumstances.
- f) Sad demise of our Director, Mr. H.K. Gupta
With a great sorrow, we would like to inform all the shareholders about the sad demise of Mr. H.K. Gupta.

- g) There are six cases pending in various Courts, i.e High Court, Tribunals, and Consumer Forums and other Civil Courts in Delhi, Rajasthan and M.P. Out of the six cases, in one of the case of **Central Bank of India V IEC Softwares Ltd.** , Compromise Settlement has been approved at Rs. 145 Lacs in addition to Rs. 55, 34,401 already deposited in your OD A/C. The amount of Rs. 145 Lacs is payable upto 21st September, 2006 alongwith interest of the Bank. The Company is negotiating with the concerned parties for the settlement of all pending cases amicably.

MEANS OF COMMUNICATION

The quarterly results of the Company are taken on record by the Board of Directors within one month of the close of the relevant quarter and same published in the Performa prescribed by the Stock Exchange in Business Standard (English)/ Veer Arjun (Hindi). The results are forthwith sent to all the Stock exchanges where the Shares of the Company are listed. The results are also discussed in the meeting of the Audit Committee before being adopted by the Board of Directors.

The results alongwith the official press releases are placed on the website of the Company i.e. www.iecsoftware.com

The Management Discussion and Analysis Report form part of the Annual Report.

General Share Holder Information

Financial Calendar (tentative)

Financial Year	1st April, 2006 to 31st March, 2007
Financial Reporting for the 1 st quarter ended June 30,2006	24 th July, 2005 (Actual)
Financial Reporting for the 2 nd quarter ended Sept.30,2006	Last week of Oct,2006
Financial Reporting for the 3 rd quarter ended Dec. 31, 2006	Last week of Jan, 2007
Financial Reporting for the 4 th quarter ended March 31, 2007	Last week of April, 2007
Annual General Meeting for the financial year ending March 31,2006:	September, 2007

Annual General Meeting

Day, Date & Time	: Monday, 25th September 2006 at 10.00 a.m.
Venue	: Shah Auditorium, 2, Raj Niwas Marg, New Delhi- 110054.
Date of Book Closure	: 20 th Sept. 2006 to 25th Sept. 2006 (both inclusive)



Listing on Stock Exchange : The Stock Exchange, Mumbai, The Delhi Stock Exchange Association Ltd. and Jaipur Stock Exchange Ltd.
 Stock Code : The Stock Exchange, Mumbai 531840
 Delhi Stock Exchange 8254
 The Jaipur Stock Exchange Ltd. ---

Demat ISIN Numbers in NSDL & CDSL : INE 172B01017

Market Price Data

The details of the High/Low price of the shares of the Company (At BSE) during the financial year 2005-2006 alongwith the total traded volumes is given hereunder.

Stock Prices

Date	Open (Rs.)	High (Rs.)	Low (Rs.)	Close (Rs.)	No. of Shares	No. of Trades	Net T/O (Rs.)	*Spread (Rs.)	
								H-L	C-O
April 2005	7.00	9.00	6.11	6.66	58245	199	421,807.00	2.89	-0.34
May 2005	6.80	9.00	6.11	7.40	78947	339	584,900.00	2.89	0.60
June 2005	7.59	9.49	6.95	7.65	120771	415	1,029,570.00	2.54	0.06
July 2005	7.50	14.66	7.15	11.10	549528	1642	6,602,571.00	7.51	3.60
August 2005	11.00	14.05	9.21	13.04	326724	1133	3,831,121.00	4.84	2.04
September 2005	13.10	13.50	7.74	7.74	242893	820	2,712,891.00	5.76	-5.36
October 2005	7.36	8.10	5.05	5.38	102013	355	658,755.00	3.05	-1.98
November 2005	5.64	6.54	4.77	5.12	69747	232	395,898.00	1.77	-0.52
December 2005	4.92	5.34	4.66	5.09	58100	184	289,878.00	0.68	0.17
January 2006	5.34	6.20	4.96	5.15	80495	260	435,764.00	1.24	-0.19
February 2006	5.00	5.48	3.90	4.05	58925	189	269,887.00	1.58	-0.95
March 2006	4.24	4.98	3.21	3.72	82567	223	323,591.00	1.77	-0.52

Registrar and Transfer Agents

M/s Alankit Assignments Limited is our Registrar and Share Transfer Agent. The address of our Registrar and Share Transfer agent is: M/s Alankit Assignments Ltd., 2E/21, Anarkali House, Jhandewalan Ext. New Delhi -110055. Phone No. (011) 51540060 -64.

Share transfer System

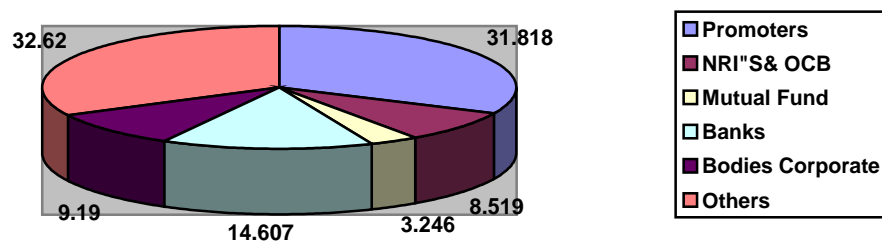
The Share Certificates sent for transfer are received at the Registered Office of the Company or its Registrar M/s Alankit Assignments Ltd. The Shareholders/Investor Grievances Committee meets twice a month for approving valid transfer.

In compliance with the Listing Agreement, after every three months, the share transfer system is audited by a Practicing Company Secretary and a certificate to that effect is issued by him.

Distribution of Shareholding as on 31.03.2006

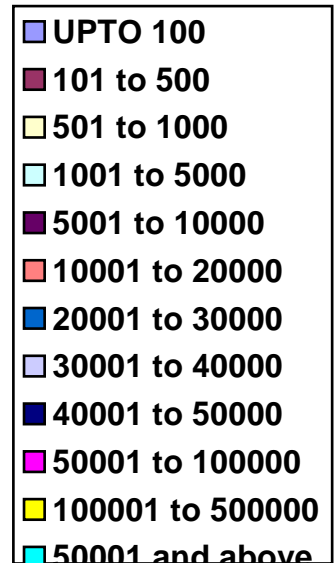
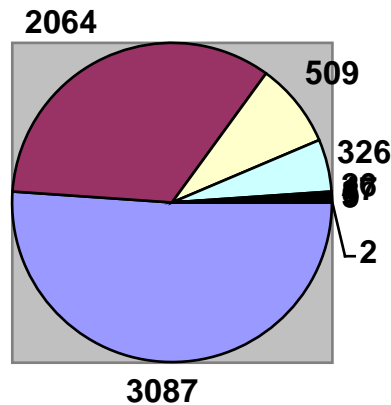
PARTICULARS	NO. OF SHARES	% AGE
Promoters	2227200	31.818
NRI & OCB	596363	8.519
Mutual Funds	227194	3.246
Banks	1022550	14.607
Bodies Corporate	643298	9.190
Others	2283395	32.620

SHAREHOLDING DISTRIBUTION AS ON 31.03.2006

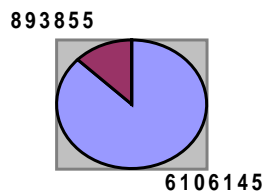


No. of Shares	No. of Shareholders	% of Total Holder	No. of Shares Held	% of Total Equity
Upto 100	3087	50.983	274038	3.915
101 to 500	2064	34.088	619722	8.853
501 to 1000	509	8.406	418417	5.977
1001 to 5000	326	5.384	691159	9.874
5001 to 10000	26	0.429	189461	2.707
10001 to 20000	17	0.281	239369	3.42
20001 to 30000	8	0.132	196906	2.813
30001 to 40000	1	0.017	37500	0.536
40001 to 50000	1	0.017	43039	0.615
50001 to 100000	5	0.083	304114	4.344
100001 to 500000	9	0.149	2383825	34.055
500001 and above	2	0.033	1602450	22.892

DETAILS OF THE SHARES IN DEMAT FORM AND PHYSICAL FORM AS ON 31.03.2006



IN DEMAT FORM	6106145
IN PHYSICAL FORM	893855



AUDITORS CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of IEC Softwares Ltd

We have examined the compliance of conditions of Corporate Governance by IEC Softwares Ltd. for the year ended on 31st March 2006, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchange of India.

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

In our opinion and to the best of our information and according to the explanation given to us and based on 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 clause 49 of the above -mentioned Listing Agreement.

We further state that in respect of investor's grievances received during the year ended 31st March, 2006, no investor grievances are pending against the Company for a period exceeding one month as per the record maintained by the shareholders / Investor's Grievance Committee.

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

Place: Delhi

For NATH & HARI
Chartered Accountants

Date: 24th August'2006

Kailash Hari
Partner

AUDITORS' REPORT

To
The Members of
IEC Softwares Limited

1) We have audited the attached Balance Sheet of IEC Softwares Limited as at 31st March, 2006, the Profit & Loss Account and also the Cash flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2) We conducted our audit in accordance with the auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion.

3) As required by the Companies (Auditor's Report) Order, 2003 "(The order)"(As amended) issued by the Central Government in terms of sub section (4A) of section 227 of the Companies Act, 1956, we enclose in the annexure, a statement on the matters specified in paragraph 4 and 5 of the said order.

4) Further to our comments in the Annexure referred to in paragraph 3 above, we report that:

- (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books.
- (c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- (d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3c) of Section 211 of the Companies Act, 1956.

(e) On the basis of written representations received from the Directors of the Company as on 31st March'2006 and taken on record by the Board of Directors, we report that the none of the Directors is disqualified as on 31st March, 2006 from being appointed as a director of the Company in terms of clause (g) of sub -section (I) of section 274 of the Companies Act, 1956.

(f) In our opinion and to the best of our information and according to the ex planations given to us, the said account subject to:

(i) *Note No: 4 of Schedule 20 regarding non registration of title deeds in respect of certain premises;*

(ii) *Note No: 5 of Schedule 20 regarding adjustments of entries arising out of confirmation/reconciliation of the accounts of parties and banks;*

and read together with the notes and the significant accounting policies thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :

- I. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2006;
- II. In the case of the Profit & Loss Account, of the loss for the year ended on that date; and
- III. In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For Nath & Hari
Chartered Accountants

(Kailash Hari)
Partner
M.No.-82285

Place: Delhi
Date: - 24th August, 2006

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date on the accounts of IEC Softwares Limited for the year ended 31st March, 2006)

- I. In respect of its fixed assets :
 - a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b) The management has carried out a physical verification of most of its fixed assets as per the regular programme of verification which in our opinion is reasonable having regards to the size of the company and nature of its assets. We are informed that no material discrepancies were noticed on such verification.
 - c) In our opinion and according to the information and explanation given to us, a substantial part of fixed assets has not been disposed of by the company during the year.
- II. The nature of the Company's business/activities during the year have been such that clause (ii) of paragraph 4 of the Companies (Audit Report) Order'2003 is not applicable to the company for the year.
- III. The Company has taken loans aggregating to Rs.2,43,30,971/- during the current year from four parties covered in the register maintained under section 301 of the Companies Act, 1956 and repaid loans aggregating to Rs.1,46,93,500 /- during the current year to four parties covered in the register maintained under section 301 of the Companies Act, 1956. The company had taken the loan in the earlier years aggregating to Rs 1,61,46,160.72 from Six parties covered in the register maintained under section 301 of the Companies Act' 1956. The year end balances of loan taken from such parties was Rs 2,57,83,631.72..The company has not granted any loans to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- IV. In our opinion and according to the information and explanations given to us, there are generally adequate internal control procedures commensurate with the size of the Company and nature of its business with regards to purchase of components, plant and machinery, equipments and similar assets and also for training and education Services rendered.
- V. Based on the audit procedure applied by us and according to the information and explanation provided by the management, we are of the opinion that there are no transactions in excess of Rs.5 lakhs in respect of each party that need to be entered in the register maintained under section 301 of the Companies Act, 1956.
- VI. The Company has not accepted any deposits from the public and hence the directives issued by the Reserve Bank of India and the provision of Section 58A and 58AA of the Companies Act, 1956 and the rules framed hereunder, are not applicable to the Company.
- VII. In our opinion, the Company's present internal audit system is commensurate with the size and nature of its business.
- VIII. Since the Company is not a manufacturing, mining or processing industry, the Central Government has not prescribed the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956.
- IX. In respect of statutory dues, according to the information and explanation given to us: *The Company has not been regular in depositing provident fund* but has been generally regular in depositing other undisputed statutory dues including Employees state insurance, sales Tax, wealth tax,

custom duty, excise duty and cess and any other statutory dues applicable to it, with the appropriate authorities during the year *except TDS of Rs.561768/-*

- X. The accumulated losses as at 31st March'2006 are more than fifty percent of its net worth and the Company has incurred cash losses during the current financial year but has not incurred cash losses in the immediately preceding financial year.
- XI. Based on our audit Procedures and as per the information and explanations given by the management, the Company has defaulted in repayment of following dues to financial institution or bank.
- | <u>Nature of Loan</u> | <u>Dues Payable to</u> | <u>Amounts(Rs.)</u> | <u>Period of default.</u> |
|-----------------------|------------------------|---------------------|---------------------------|
| Term Loan | Bank | 4892273.96 | Since,July,2002. |
| Working capital | Bank | 9263605.12 | Since, April,2002. |
- XII. According to the information and explanation given to us and based on the documents and records produced to us, the company has not granted loans and the advances on the basis of security by way of pledge of shares, debentures and other securities.
- XIII. In our opinion, the company is not a Chit Fund or Nidhi/mutual benefit fund/society. Therefore the provisions of clauses 4(xiii) of the Companies (Auditor's report) Order'2003 are not applicable to the Company.
- XIV. In our opinion, the company is not dealing in or trading in shares, securities, debentures and other Investments. Accordingly, the provisions of clause 4 (xiv) of the Companies (Auditor's report) Order'2003 are not applicable to the Company.
- XV. According to the information and explanation given to us, the company has given a bank guarantee of Rs.5,00,00,000/- on behalf of a trust in which directors are interested for term loans taken by the trust from bank. The terms and Conditions are not prejudicial to the interest of the company.
- XVI. According to the information and explanation given to us, no term loan has been raised during the year.
- XVII. According to information and explanations given to us and on an overall examination of Balance Sheet of the Company, we report that no funds raised on short term basis have been used for long-term investment and no long term funds have been prime facie used to finance short term assets.
- XVIII. The Company has not made any allotment of shares during the year hence the provisions of clause 4 (XVIII) are not applicable to the Company.
- XIX. The Company has not raised any loan during the year through issue of Debentures; hence the provisions of clause 4 (XIX) are not applicable to the Company.
- XX. The Company has not raised any money through a public issue during the year, hence the provisions of clause 4 (XX) are not applicable to the Company.
- XXI. Based upon the audit procedures performed and the information and explanation given to us by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For Nath & Hari
Chartered Accountants

(Kailash Hari)
Partner
M.No.82285

Place: Delhi
Date: 24th August, 2006

IEC SOFTWARES LTD.

BALANCE SHEET AS AT 31st MARCH'2006
SCHEDULE
E

AS AT
31st MARCH'2006
(RS.)

AS AT
31st MARCH'2005
(RS.)

SOURCES OF FUNDS				
Shareholders Fund				
Share Capital	1	70000000.00		70000000.00
Reserves & Surplus	2	187325615.00	257325615.00	187325615.00
Loan Funds				
Secured Loans	3	14155879.08		15435129.08
Unsecured Loans	4	42602224.30	56758103.38	48399882.38
Deferred Tax Liability(Net) (Refer Note No.9 of Schedule 20)			0.00	22793763.00
TOTAL (RS.)			314083718.38	328519260.38
APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	5	134477631.83		224724813.83
Less:-Depreciation		59158342.18		87045630.43
Net Block			75319289.65	137679183.40
Investment	6		2500024.90	2500024.90
Deferred Tax Assets (Net) (Refer Note No.9 of Schedule 20)			1173182.00	0.00
Current Assets,Loans & Advances				
Sundry Debtors	7	59293802.13		103814347.80
Cash & Bank Balances	8	7583000.07		13414350.40
Loans & Advances	9	23170626.95		21526280.15
		90047429.15		138754978.35
Less:-Current Liabilities & Provisions				
Current Liabilities	10	6663756.41		48807482.86
Provisions	11	488662.00		534571.00
		7152418.41		49342053.86
Net Current Assets			82895010.74	89412924.49
Miscellaneous Expenditure	12		1228236.32	2131635.43
Profit & Loss Account			150967974.77	96795492.16
			314083718.38	328519260.38
Accounting Policies and Notes on Accounts	20			

As per our report of even date

For and on Behalf of the Board

For Nath & Hari
Chartered Accountants

Brig. S.V.S Chowdhary(Chairman)
L.C Goel (Executive Director)
R.L.Gupta (Director)
Alka Arora (Company Secretary)
Ashutosh Kr.Jha (Accounts Manager)

(Kailash Hari)
Partner

Date:- 24th August,2006

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH'2006.

	SCHEDULE	CURRENT YEAR AMOUNT (RS.)	PREVIOUS YEAR AMOUNT (RS.)
<u>INCOME</u>			
Income from Operation	13	45466827.78	121381436.11
Other Income	14	618289.80	1794026.03
		46085117.58	123175462.14
<u>EXPENDITURE</u>			
Training & Education Expenses	15	33988184.88	92846060.50
Personnel Expenses	16	952220.00	2072354.00
Administrative & Other Expenses	17	62278601.60	7973596.91
Interest & Finance Charges	18	7376027.02	2445461.75
Depreciation	5	18687112.58	24070321.73
Miscellaneous Expenditure Written Off	19	903399.11	1624350.98
		124185545.19	131032145.87
Profit/(Loss) before Taxes		(78100427.61)	(7856683.73)
Provision for Tax			
- Fringe Benefit Tax		(39000.00)	0.00
- Current Tax		0.00	0.00
-Deferred Tax		23966945.00	1808796.00
Profit/(Loss) after Tax		(54172482.61)	(6047887.73)
Balance Profit/(loss) brought forward from last year		(96795492.16)	(90747604.43)
Balance Profit/(Loss) carried to Balance Sheet		(150967974.77)	(96795492.16)
Basic and diluted earning per share(in Rs.) (refer note No.12 of schedule -20)		-7.74	-0.86
Accounting Policies and Notes on Accounts	20		

As per our report of even date

For and on Behalf of the Board

For Nath & Hari
Chartered Accountants

(Kailash Hari)

Place:- Delhi.

Date:- 24th August,2006

Brig. S.V.S Chowdhary(Chairman)
L.C Goel (Executive Director)
R.L.Gupta (Director)
Alka Arora (Company Secreatry)
Ashutosh Kr.Jha (Accounts Manager)

IEC SOFTWARES LTD.
SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31st MARCH'2006

AS AT AS AT
31st MARCH'2006 31st MARCH'2005
(RS.) (RS.)

	AS AT 31st MARCH'2006 (RS.)	AS AT 31st MARCH'2005 (RS.)
<u>SCHEDULE '1'</u>		
<u>SHARE CAPITAL</u>		
Authorised		
2,00,00,000 Equity Shares of Rs.10/- each	200000000.00	200000000.00
Issued subscribed & Paid up		
70,00,000 Equity Shares of Rs.10/- each fully paid	70000000.00	70000000.00
	70000000.00	70000000.00
<u>SCHEDULE '2'</u>		
<u>RESERVES & SURPLUS</u>		
Capital Reserve		
As per last Balance Sheet	5282000.00	5282000.00
Share Premium	140994000.00	140994000.00
General Reserve		
As per last Balance Sheet	41049615.00	41049615.00
	187325615.00	187325615.00
<u>SCHEDULE '3'</u>		
<u>SECURED LOANS</u>		
From Bank:-		
Short Term Loan		
Term Loan (Hyp.of Computers)	4250743.96	
Add:-Interest Accrued & Due	641530.00	4892273.96
	4892273.96	4109743.96
Working Capital Loan (Hyp.of Book Debts.)		
Add:-Interest Accrued & Due	5790984.12	
	3472621.00	9263605.12
	9263605.12	11325385.12
	14155879.08	15435129.08
Note:-		
1) Term loan from bank is secured by a first charge by way of hypothecation of all the company's computer hardware,Software and other parts installed at various centres of NCPUL.		
2) Working capital facilities from the bank are secured by way of hypothecation of Book Debts and floating charge on other current assets of the company and collaterally secured with equitable mortgage of all fixed assets of the company.		
3) The Term Loan and working capital facilities are further secured by personal guarantees of Sh.R.L.Gupta, the director of the company.and Sh. Navin Gupta Ex Director of the Company.		
4) Term loan repayable within a year Rs.Nil excluding old overdues.		
<u>SCHEDULE '4'</u>		
<u>Unsecured Loans</u>		
---From Directors	975032.00	4239776.93
---From Others	41627192.30	28724976.37
	42602224.30	32964753.30

IEC SOFTWARES LTD.

SCHEDULE '5'

FIXED ASSETS

DESCRIPTION	GROSS BLOCK				DEPRECIATION AND AMORTIZATION				NET BLOCK	
	As at	Addition	Deduction	As at	Up to	For the	Deduction	Up to	As at	As at
	1.4.2005			31.3.2006	31.3.2005	Year	Adjustment	31.03.2006	31.03.2006	31-3-2005
Goodwill	1000000.00	0.00	0.00	1000000.00	1000000	0	0	1000000	0	0
Land --Leasehold	2548810.00	0.00	0.00	2548810.00	0	0	0	0	2548810	2548810
Building	50492582.00	0.00	18580000.00	31912582.00	3497040	615595	1607314	2505321	29407261	46995542
Plant & Machinery	135750914.6	0.00	58848716.00	76902198.60	72591976	16480529	39968350	49104155	27798044	63158939
Office Equipment	8428222.00	0.00	3031200.00	5397022.00	1657071	298567	678413	1277225	4119797	6771151
Furniture & Fixtures	26504285.23	0.00	9787266.00	16717019.23	8299543	1292422	4320323	5271642	11445377	18204742
TOTAL	224724814	0	90247182	134477632	87045630	18687113	46574401	59158342	75319290	137679183

Previous Year	223040561.83	2255910.00	571658.00	224724813.83	62144404.42	24070321.73	830904.28	87045630.43	137679183.40	160896157.41
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IEC SOFTWARES LTD.

	AS AT 31st MARCH'2006 (RS.)	AS AT 31st MARCH'2005 (RS.)
<u>SCHEDULE '6'</u>		
<u>INVESTMENTS</u>		
(Non-Trade and long Term) at Cost		
<u>Unquoted (Fully paid up Equity Shares)</u>		
<u>in Subsidiary Companies</u>		
2,50,000 Equity Shares of Rs.10/- each of IEC leasing & Capital Mgt Ltd	2500000.00	2500000.00
IEC Infotech SDN. BHD.		
2 Shares of Malaysian Ringetts one each(Rs.value 12.45/- per Ringett)	24.90	24.90
	2500024.90	2500024.90
<u>SCHEDULE '7'</u>		
<u>SUNDRY DEBTORS</u>		
(Unsecured)		
Debt outstanding for a period exceeding six months		
- Considered Good	42126560.95	38188016.95
- Considered Doubtful	17532917.00	17532917.00
	59659477.95	55720933.95
Less:-Provision for Doubtful debts	17532917.00	17532917.00
	42126560.95	38188016.95
Other Debts, considered good	17167241.18	65626330.85
	59293802.13	103814347.80
<u>SCHEDULE '8'</u>		
<u>CASH & BANK BALANCES</u>		
Cash in Hand	163462.20	1490347.64
Balance with Scheduled Banks		
on Current Account	752924.87	269049.76
Fixed Deposit(including Margin Money of Rs.66,66,613/- (previous year Rs.61,56,572/-)	6666613.00	11654953.00
	7583000.07	13414350.40
<u>SCHEDULE '9'</u>		
<u>LOANS & ADVANCES</u>		
Advances Recoverable in Cash or in kind		
or for value to be received	15628607.37	14458003.57
Security & Deposits with others	6070362.34	6043322.34
Advance Income Tax & TDS	1471657.24	1024954.24
	23170626.95	21526280.15
<u>SCHEDULE '10'</u>		
<u>CURRENT LIABILITIES</u>		
Sundry Creditors		
1) Due to Small Scale Industrial Undertaking	0.00	0.00
2) Others	4018132.91	30018126.26
Other Liabilities	2553352.50	17897085.60
Income Received in Advance	0.00	800000.00
Unpaid Dividend.	92271.00	92271.00
	6663756.41	48807482.86

IEC SOFTWARES LTD.

	AS AT 31st MARCH'2006 (RS.)	AS AT 31st MARCH'2005 (RS.)
<u>SCHEDULE '11'</u>		
<u>PROVISIONS</u>		
For Taxation	0.00	0.00
For Retirement Benefits	449662.00	534571.00
For Fringe Benefit Tax	39000.00	0.00
	<u>488662.00</u>	<u>534571.00</u>
<u>SCHEDULE '12'</u>		
<u>MISCELLANEOUS EXPENDITURE</u>		
(To the extent not written off or adjusted)		
Share issue Expenses	1228236.32	1887302.43
Deferred Revenue Expenditure	0.00	244333.00
	<u>1228236.32</u>	<u>2131635.43</u>

**SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR
ENDED 31st MARCH'2006**

	CURRENT YEAR	PREVIOUS YEAR
<u>SCHEDULE '13'</u>		
<u>INCOME FROM OPERATION</u>		
Franchise Royalty	19821454.00	11768544.06
Sale of Software	0.00	3750.00
Training & Education Income	25645373.78	109609142.05
	<u>45466827.78</u>	<u>121381436.11</u>
<u>SCHEDULE '14'</u>		
<u>OTHER INCOME</u>		
Interest	505156.80	688737.31
Sundry Balances written back	0.00	1088819.10
Miscellaneous Income	113133.00	16469.62
	<u>618289.80</u>	<u>1794026.03</u>
<u>SCHEDULE '15'</u>		
<u>TRAINING & EDUCATION EXPENSES</u>		
Consultancy Charges	6569727.00	5462186.00
Courseware & manuals	265300.00	1209270.00
Course Execution Charges	23968797.00	81536408.50
Software Production Charges.	0.00	1300.00
Franchise Expenses	3184360.88	4636896.00
	<u>33988184.88</u>	<u>92846060.50</u>

IEC SOFTWARES LTD.

CURRENT YEAR
AMOUNT(RS.)PREVIOUS YEAR
AMOUNT(RS.)

SCHEDULE '16'		
PERSONNEL EXPENSES		
Salaries, Bonus, Gratuity & allowances	832152.00	1801273.00
Contribution to Provident Fund & Others Fund	47332.00	87715.00
Welfare Expenses	72736.00	183366.00
	<u>952220.00</u>	<u>2072354.00</u>
SCHEDULE '17'		
ADMINISTRATIVE & OTHER EXPENSES		
Rent,Rates & Taxes	246229.00	338046.00
Insurance	0.00	4115.00
Advertisement & Publicity	49190.00	413570.50
Vehicle Maintenance	0.00	6688.00
Printing & Stationery	391589.00	677443.00
Postage & Telephone	294157.28	756392.63
Legal & Professional	315231.00	190674.00
Repair & Maintenance-Plant & Machinery.	222909.00	460632.00
Repair & Maintenance-Building	420972.00	2092175.00
Repair & Maintenance-Others	70871.00	73722.00
Water & Electricity	111516.20	151135.00
Directors Remuneration	116000.00	207454.00
Directors sitting Fee	59500.00	41500.00
Travelling & Conveyance	492494.00	658817.00
Auditors' Remuneration	188293.00	183704.00
Miscellaneous Expenses	301469.00	1223392.50
Conference & Seminar	0.00	9725.00
Sanitation Watch & Ward	24203.00	96697.00
Loss on Sale of Fixed Assets	28922781.17	237562.28
Share Transfer Expenses	82402.00	60000.00
Short & Excess Recovery	0.00	4483.00
Bad Debt Written Off	29861738.95	27707.00
AGM Expenses	107056.00	57962.00
	<u>62278601.60</u>	<u>7973596.91</u>
SCHEDULE '18'		
INTEREST & FINANCE CHARGES		
Interest on Term Loan	4232814.00	700181.96
Interest on others	3072678.00	1700303.92
Bank Charges	70535.02	44975.87
	<u>7376027.02</u>	<u>2445461.75</u>
SCHEDULE '19'		
MISCELLANEOUS EXPENDITURE WRITTEN OFF		
Preliminary Expenses	0.00	19689.00
Public Issue expenses	659066.11	586661.98
Deferred Revenue Expenditure	244333.00	1018000.00
	<u>903399.11</u>	<u>1624350.98</u>

SCHEDULE '20'

NOTES TO THE ACCOUNTS

1. Significant Accounting Policies

a) System of Accounting:

The financial statements have been prepared and presented under the historical cost convention, on the accrual basis of accounting and on the accounting principles of a going concern and comply in all material respects with the mandatory Accounting Standards (AS), issued by the institute of Chartered Accountants of India and the relevant provisions of Companies Act, 1956.

b) Fixed assets:

- 1) Fixed Assets are stated at cost less accumulated depreciation. Cost of acquisition or construction is inclusive of freight, duties, taxes and incidental expenses related to such acquisition or construction.
- 2) Goodwill is stated at cost less amortization.

c) Depreciation:

- 1) Depreciation on fixed assets is provided on the straight-line method at the rates and in the manner laid down in schedule XIV to the Companies Act, 1956.
- 2) Depreciation has been provided on pro-rata basis in respect of addition to/deletion from the fixed assets with reference to the date of addition/deletion of the assets.
- 3) Goodwill arising on acquisition of business unit is amortized over a period of ten years

d) Investment:

Long-term investments are stated at cost of acquisition and related expenses. Provision is made to recognize a decline, other than temporary, in the value of investments.

e) Retirement Benefit:

Provision for gratuity is made, in the books of account as per the provisions of Payment of Gratuity Act, 1972 on the assumption that all the employees are entitled to gratuity at the end of the accounting year. Provision for leave encashment is provided for at the end of financial year on the basis of last month drawn salary of the employees.

f) Revenue Recognition:

The revenue in respect of sale of courseware is recognized on delivery of materials.

The revenue from training and education activity is recognized over the period of the course program. In respect of software and consultancy activities, the revenue arises and is recognized on dispatch/delivery of the concerned goods/services.

Claims including insurance claims are accounted for on the acceptance and determination of the amounts recoverable by the concerned authorities.

g) Dividend:

Dividend proposed, if any, by the Board of Directors as appropriation of profit is provided for in the books of account pending approval of the shareholders at the annual general meeting.

h) Miscellaneous Expenditure:

Preliminary, share issue and deferred revenue expenditure are being written off over a period of ten years from the date of commencement of commercial operation.

i) Provision for current and Deferred Tax

Income taxes are accounted for in accordance with Accounting Standard -22 on Accounting for Taxes on Income.

Provision for tax is made for current and deferred taxes. Current tax is provided on the taxable income using the applicable tax rates and tax laws. Deferred tax assets and liabilities arising on account of timing differences and which are capable of reversal in subsequent periods are recognized using the tax rates and tax laws that have been enacted or subsequently enacted .

j) Borrowing Cost:

Borrowing cost incurred in relation to the acquisition, construction of assets are capitalized as the part of the cost of such assets upto the date when such assets are ready for intended use. Other borrowing costs are charged as an expenses in the year in which they are incurred.

k) Impairment of Assets :

An assets is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

l) Provisions,Contingent Liabilities and Contingent Assets .

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in financial statements.

m) General :

The financial statements have been prepared in accordance with historical cost convention Accounting policies not specifically referred to are consistent with GENERALLY ACCEPTED ACCOUNTING PRACTICES.

2) Contingent Liabilities not provided for :

	Current Year.	Previous Year
a) Claims against the company not Acknowledged as debt	1,21,85,000.00	35,42,000.00
b) Bank Guarantee	66,66,613.00	61,56,572.00
c) Guarantee given to Bank on behalf of trust In which directors are interested.	50000000.00	50000000.00

- 3) Payment against supplies from Small Scale and ancillary industrial undertaking are generally made in accordance with agreed credit terms and to the extent ascertained from available information, there was no amount overdue in this regard.
- 4) The Buildings purchased by the Company at M-92, Connaught Place, New Delhi, E-578, Greater Kailash-II, New Delhi and B-36, Manu Apartment, Mayur Vihar, Delhi, from the promoters, directors and their relatives in the earlier years are yet to be registered in the Company's name.
- 5) In view of the confirmation not having been obtained from the Sundry Debtors, loans and Advances, Sundry Creditors and banks, the accounts are subject to adjustment on receipt of confirmation of balance and/or reconciliation of accounts the impact whereof on account cannot be ascertained at this stage.
- 6) In the opinion of the Board of Directors, the Fixed Assets, the Current Assets and Loans and Advances have a value on realization in the ordinary course of business at least equal to the amount at which they are stated in the Balance Sheet

7) Auditors Remuneration (Including service tax):

	<u>Current Year</u>	<u>Previous Year</u>
Audit Fee	1,12,240.00	1,10,200.00
Tax Audit Fee	28,060.00	27,550.00
Misc.Certification & Other Charges	47,993.00	45,954.00
	-----	-----
	1,88,293.00	1,83,704.00
	-----	-----

8) (a) Details of remuneration and perquisites of the Whole time Director and other Directors.

	<u>Current Year</u>	<u>Previous Year</u>
Managerial Remuneration	1,16,000.00	1,82,526.00
Contribution to Provident Fund	0.00	494.00
Perquisites/Allowances	0.00	24,434.00
	-----	-----
	1,16,000.00	2,07,454.00
	-----	-----
Sitting Fee	59,500.00	41,750.00

- 9) **Deferred Tax** : In accordance with accounting standard As 22 on “Accounting for Taxes on Income Tax “ issued by the Institute of Chartered Accountants of India and based on the reasonable certainty that sufficient future taxable income will be available , the company has accounted for deferred tax during the year.

The major components of deferred tax Assets/ Liabilities are as under :

Deferred Tax Assets/Liabilities	Balance as at 31-3-2006	Balance as at 31-3-2005
Deferred Tax Liabilities on account of: -		
a) Depreciation	3,49,70,442.00	3,82,71,375.00
b) Others	6,93,080.00	6,81,798.00
Total (A)	3,56,63,522.00	3,89,53,173.00
Deferred Tax Asset on account of: -		
a) Provision for Retirement Benefits	2,53,315.00	2,40,147.00
b) Others	3,65,83,389.00	1,59,19,263.00
Total (B)	3,68,36,704.00	1,61,59,410.00
Net Deferred Tax Assets / Liabilities (A-B)	11,73,182.00	2,27,93,763.00

10) Amount of borrowing cost capitalized as per Accounting Standards -16 during the year was Rs. NIL

11) Segment Reporting (AS-17)

Primary Segment Information -Business Segment

(Rs. In Lakhs)

Particulars	Software Training & Development Education	Franchisee Business	Total
Segment Revenue	256.46	198.21	454.67
External Sales			
Inter Segment Sales			
Income (other than interest)			1.13
Interest Income			5.05
Total Segment Revenue			460.85
Segment Results			
Segment Profit/(Loss) before Tax & interest	(564.17)	(143.07)	(707.24)
Less: -			
(i) Interest			73.76
(ii) other un-allocable expenditure net off un-allocable income			
Total profit/(loss) before Tax			(781.00)

Note: - As the Assets are used inter changeably by different segment, segment wise capital employed is not ascertainable.

12) Earning per share :

	<u>Rs.</u>	<u>Rs.</u>
Net (loss) /profit for the period attributable to equity shareholders	(54172482.61)	(6047887.73)
Number of Equity shares	7000000	7000000
Basic and diluted earning per share (face value of Rs.10/-)	-7.74	-0.86

**13) Related party Disclosures (Pursuant to Accounting Standard -18), are given below:
Relationship:**

a) Subsidiary Companies

IEC Leasing & Capital Management Ltd

b) Other related parties where control exists

Vocational Education Foundation

c) **Directors of the Company:**

Mr.G.L.Tandon	Non Executive Director (Resigned w.e.f. 23/08/2005)
Col.Sanjiv Mehta	Executive Director (Resigned w.e.f. 15/10/2005)
Mr.L.C.Goel	Executive Director
Brig.S.V.S.Chaudhary	Non Executive Director
Mr.R.L.Gupta	Non Executive Director
Mr.Navin Gupta	Non Executive Director (Resigned w.e.f.31/03/2006)
Mr.Mukesh Gupta	Non Executive Director
Mr.Kailash Nath	Non Executive Director
Mr.H.K.Gupta	Non Executive Director (Ceased to be Director on 22/8/2006)
Mr. Sarabjit Singh Saini	Non Executive Director (Appointed w.e.f.25/10/2005)

d) **Relative of Directors and their enterprises where transactions have taken place**

Mrs .Sharda Gupta
Mrs Sneh Lata Gupta
Mr.Dheeraj Mangal
M/s Sanna Enterprises

Note: - Related party relationship is as identified by the Company and relied upon by the auditors

Nature of transaction	Referred in 13(a)	Referred in 13(b)	Referred in 13(c)	Referred in 13(d)	Total
Expenses					
-Director Remuneration			116000.00		116000.00
-Director Sitting Fees			59500.00		59500.00
-Consultancy				435000.00	435000.00
-Interest		2208307.00	814371.00		3022678.00
-Amount received during the Year		10125623.00	9205348.00	5000000.00	24330971.00
-Amount paid during the Year		3504000.00	6189500.00	5000000.00	14693500.00

14) Previous year's expenditure accounted for under the respective heads of accounts during the current year is Rs: 25,95,568/- (Previous year Rs.9,841/-)

15) Additional information pursuant to paras 3, 4C and 4D of Part -II of the Schedule – VI of the Companies Act, 1956 is given below to the extent applicable.

Expenditure incurred in foreign currency:

Foreign Travel	44,500.00	0.00
Earning in foreign exchange:	0.00	0.00

16) Previous year's figures have been regrouped/rearranged wherever considered necessary.

As per our report of even date

for and on behalf of the Board

For Nath & Hari
Chartered Accountants

Brig. S.V.S Chowdhary(Chairman)
L.C Goel (Executive Director)
R.L.Gupta (Director)
Alka Arora (Company Secretary)
Ashutosh Kr.Jha (Accounts Manager)

(Kailash Hari)
Partner

Place: -Delhi:

Date: -24th August'2006

IEC SOFTWARES LTD.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH,2006

	CURRENT YEAR (RS.)	PREVIOUS YEAR (RS.)
A) Cash flow from Operating Activities		
Net Profit/(Loss) before Tax & Extraordinary Items	78100427.61	(7856683.73)
Adjustment for :		
Depreciation	18687112.58	24070321.73
Miscellaneous Expenditure written off	903399.11	1624350.98
Interest (Net)	6800335.20	1711748.57
Loss on sale of fixed assets	28922781.17	237562.28
Operating Profit before working capital changes	(22786799.55)	19787299.83
Adjustment for :		
(Increase)/Decrease in Trade and other receivables	42753333.77	(14095128.72)
Increase/(Decrease) in Trade payables	(42189635.45)	(795887.80)
Cash generated from operation	(22223101.23)	4896283.31
Interest paid	(7305492.00)	(2400485.88)
Income Tax Including Fringe Benefit Tax	(39000.00)	
Net Cash (used) in / from Operating Activities	(29567593.23)	2495797.43
B) Cash Flow from Investing Activities		
Purchase of fixed assets	0.00	(2255910.00)
Sale of fixed assets	14750000.00	265000.00
Interest received	628021.90	171098.00
Net Cash (used) in / from Investing Activities	15378021.90	(1819812.00)
C) Cash Flow From Financing Activities		
Proceeds of Long Term and other borrowings	9637471.00	12317110.00
Repayment of Long Term and other borrowings	(1279250.00)	(27230911.80)
Dividend Paid	0.00	0.00
Net Cash (used) in / from Financing Activities	8358221.00	(14913801.80)
Net increase/(Decrease) in Cash and Cash Equivalents (A+B+C)	(5831350.33)	(14237816.37)
Cash and Cash Equivalents-Opening Balance	13414350.40	26856278.97
Cash and Cash Equivalents-Closing Balance	7583000.07	13414350.40

Note:- 1) Previous year's figures have been regrouped/ reclassified wherever applicable.

As per our report of even date

For and on Behalf of the Board

For Nath & Hari

Chartered Accountants

(Kailash Hari)

Partner

Brig. S.V.S Chowdhary(Chairman)

L.C Goel (Executive Director)

R.L.Gupta (Director)

Alka Arora (Company Secretary)

Ashutosh Kr.Jha (Accounts Manager)

Place:- Delhi.

Date:- 24th August'2006

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT,1956

i)	Registration details	
	Registration No.	61053
	State Code No.	55
	Balance Sheet Date	31.3.2006
ii)	Capital raised during the year (Amount in Thousands)	
	Public Issue (Issue through the prospectus)	Nil
	Rights Issue (including share premium)	Nil
	Bonus Issue	Nil
	Private Placement	Nil
iii)	Position of Mobilization and Deployment of Funds (Amount in Thousands)	
	Total Liabilities	321236
	Total Assets	321236
	SOURCE OF FUNDS:	
	Paid-upCapital	70000
	Reserves & Surplus	187325
	Secured Loans	14156
	Unsecured Loans	42602
	APPLICATION OF FUNDS:	
	Net Fixed Asset	75319
	Investments	2500
	Deferred Tax Assets	1173
	Net Current Assets	82895
	Misc.Expenditure	1228
	Accumulated Losses	150968
iv)	Performance of the Company (Amount in Thousands)	
	Turnover (Including other income)	46085
	Total expenditure	124185
	Profit/(Loss) before Tax	(78100)
	Profit/(Loss) after Tax	(54172)
	Earning per share in Rs.	- 7.74
	Dividend Rate %	0.00
iv)	Generic Name of Principal Product/Services of the Company (As per monetary Terms)	
	Item code No.	N.A
	Product Description	N.A

As per our Report of the even date
For Nath & Hari
Chartered Accountants

(Kailash Hari)
Partner
Manager)

Place :- Delhi
Date :-24th August, 2006

For and on behalf of the Board

Brig S.V.S Chowdhary (Chairman)
L.C Goel (Executive Director)
R.L Gupta (Director)
Alka Arora (Company Secretary)
Ashutosh Kr.Jha (Accounts

IEC Leasing and Capital Management Limited

Board of Directors

Chairman

Mr. R.L. Gupta,

Directors

Mr. Navin Gupta, Director

Mr. Mukesh Gupta, Director

Auditors

M/s Nath and Hari, Chartered Accountants

DIRECTORS REPORT

To
The Members,

Your Directors have pleasure in presenting the Ninth Annual Report and Audited Accounts of your Company for the financial year ended 31st March, 2006.

CORPORATE RESULTS

	Year ended 31.03.06	Year ended 31.03.05
		(in Rs.)
Total income	0.00	0.00
Administrative Expenditure	1, 88,388.00	6,51,407.00
Miscellaneous Expenditures Written off	1,292.00	1,292.00
Profit/(Loss) before Tax	(-)1,89,680.00	(-) 6,52,699.00
Provision For Tax	00.00	00.00
Profit/(Loss) after Tax	(-)1,89,680 .00	(-)6,52,699.00

COMPANY PERFORMANCE

Since there is a general recession in the industry, the Company has not undertaken any activity during previous financial year i.e. 2005 -2006

DIVIDEND

Your Directors do not recommend any dividend on the equity share capital.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Mukesh Gupta, Director who retires by rotation at this Annual General Meeting and being eligible offers himself for reappointment as Director of the Company.

AUDITORS

The Auditors of the Company M/s Nath & Hari, Chartered Accountants, New Delhi retiring at the ensuing Annual General Meeting of the Company and being eligible offer themselves for reappointment.

The observations of the auditors and the relevant notes on the Accounts are self -explanatory and do not require further clarification or explanation.

PARTICULARS OF EMPLOYEES UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956

The Company has no such employees during the year under review.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm that:

- (i) In the preparation of the annual accounts, the applicable accounting standards have been followed alongwith 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 loss of the Company for that period.
- (iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities.
- (iv) The Directors had prepared the annual accounts on a going concern basis.

INFORMATION UNDER SECTION 217(1) (e) OF THE COMPANIES ACT, 1956

The Company being a financial sector service company, no disclosure relating to conservation of energy and technological absorption is reported.

PUBLIC DEPOSIT

The Company has neither invited nor accepted any deposit from the public during the year under review, with in the meaning of section 58A of the Companies Act, 1956 and the Companies (Acceptance of the Deposit) rules, 1956.

SUBSIDIARY COMPANY

The Company does not have any subsidiary Company.

APPRECIATION

Your Directors appreciate the continuous support, which the Company continues to receive from its business associates and from every member of the Company.

For and on behalf of the Board

**Place: New Delhi
Dated: 24.08.2006**

**R.L Gupta
(Chairman)**

AUDITOR'S REPORT

To,
The Members of
IEC LEASING & CAPITAL MANAGEMENT LTD.

1. We have audited the attached Balance Sheet of **M/s IEC LEASING & CAPITAL MANAGEMENT LTD** as at 31st March, 2006 and also the Profit & Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidences supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall presentation of financial statements. We believe that our audit provides a reasonable basis for our opinion .

3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government in terms of sub section (4A) of section 227 the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraph 4 and 5 of the said order to the extent applicable to the Company.

4. Further to our comments in the annexure referred to in paragraph (3) above; we report that

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

b) In our opinion proper books of accounts, as required by law have been kept by the company so far as appears from our examination of the books.

c) The Balance sheet and Profit & Loss account dealt with by this report are in agreement with the books of accounts.

d) In our opinion, the Balance Sheet and Profit & Loss Account dealt with by this report comply with the Accounting Standards referred to in sub section (3 c) of Section 211 of the Companies Act, 1956.

e) On the basis of written representations received from the Directors of the Company as on 31st March'2006 and taken on record by the Board of Directors, we report that the none of the Directors is disqualified as on 31st March, 2006 from being appointed as a director of the Company in terms of clause

(g) of sub-section (I) of section 274 of the Companies Act, 1956.

f) In our opinion and to the best of our information and according to the explanation given to us, the said accounts read together with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principals generally accepted in India.

I In the case of the Balance sheet of the state of affairs of the Company as at 31 March 2006
and:

II In the case of the Profit and loss Account of the Loss for the year ended on that date.

For **Nath & Hari**
Chartered Accountants

Place : Delhi
Date : 24th August, 2006

(Kailash Hari)
Partner
M.No:- 82285

ANNEXURE TO THE AUDITORS REPORT

(Referred to in paragraph 3 of our Report of even date on the accounts of IEC Leasing & Capital Management Ltd for the year ended 31st March'2006)

- I. The Company has not granted or taken any loans, secured or unsecured to/from companies firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- II. In our opinion and according to the information and explanations given to us, the internal control procedures are commensurate with the size of the Company and the nature of its business.
- III. According to the information and explanations given to us, there are no transactions that need to be entered into a register in pursuance of section 301 of the Companies Act, 1956.
- IV. The Company has not accepted any deposit from the public.
- V. The Company has no formal internal audit department as such. However, its control procedures ensure reasonable internal checking of its financial and other records.
- VI. Maintenance of cost records have not been prescribed by the Central Government in respect of the business carried on by the Company.
- VII. a) The Company is not covered under the provident Fund and Employees State Insurance scheme. The company did not have any dues in respect of income tax, wealth tax, custom duty, excise duty and cess.

b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, custom duty, excise duty and cess were in arrears, as at the last day of the financial year for a period of more than six months from the date they became payable.

c) According to the information and explanations given to us, there are no dues of sales tax, income tax, custom duty, wealth tax, excise duty and cess which have not been deposited on account of any dispute.
- VIII. The accumulated losses of the Company exceed fifty percent of its net worth at the end of the financial year. The Company has incurred cash losses during the current financial year and also in the immediately preceding financial year.
- IX. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank. The Company has not issued any debentures.
- X. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- XI. In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit/ society. Therefore the provisions of clause 4 (xiii) of the Companies (Auditor's Report) order, 2003 are not applicable to the Company.
- XII. In our opinion and according to the information and explanations given to us the Company has maintained proper records of the transactions and contracts relating to dealing in shares, securities, debentures and other investments and these are held by the Company in its own name.
- XIII. According to the information and explanations given to us the Company has not given guarantees for loans taken by others from bank or financial institutions.
- XIV. The Company has not taken any Term Loans and hence reporting on the utilization of such loans does not arise.
- XV. According to the information and explanations given to us and on an overall examination of the Balance sheet of the Company, we report that the Company has not used funds raised on short term basis for long term investments and no long term funds have been used to finance short term assets.

- XVI. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- XVII. The Company has not issued any debentures and hence the question of reporting on creation of securities in respect of debentures issued does not arise.
- XVIII. The Company has not raised any resources by way of public issues and hence the question of reporting on the disclosure relating to end use of such resources does not arise.
- XIX. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

The nature of Company's business activities during the year have been such that clause (i) and (ii) of paragraph 4 of the Companies (Auditor's Report) Order'2003 are not applicable to the company for the year.

**For Nath & Hari
Chartered Accountants**

**Place : Delhi
Date : 24th August, 2006**

**(Kailash Hari)
Partner
M.No. 82285**

IEC LEASING & CAPITAL MANAGEMENT LTD.

BALANCE SHEET AS AT 31ST MARCH, 2006

SCHEDULE	AS AT 31ST MARCH'2006	AS AT 31ST MARCH'2005 (RS.)
<u>SOURCE OF FUNDS</u>		
Shareholders Fund		
Share Capital	1	2507000.00
TOTAL (RS.)	2507000.00	2507000.00
<u>APPLICATION OF FUNDS</u>		
Current Assets, Loans & Advances		
Investment	2	40000.00
Cash & Bank Balances	3	496699.10
		536699.10
Less:-Current Liabilities & Provisions		
Current Liabilities	4	4408.00
		4408.00
Net Current Assets	343903.10	532291.10
Miscellaneous Expenditure	5	2584.00
Profit & Loss Account	2161804.90	1972124.90
	2507000.00	2507000.00
Notes to the Accounts	8	

As per our report of even date

For and on Behalf of the Board

 For Nath & Hari
 Chartered Accountants

R.L.Gupta (Chairman)

 (Kailash Hari)
 Partner

Mukesh Gupta (Director)

Place:- Delhi.

Date:- 24th August '2006

IEC LEASING & CAPITAL MANAGEMENT LTD.

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH,2006

	SCHEDULE	CURRENT YEAR AMOUNT RS.	PREVIOUS YEAR AMOUNT RS.
INCOME			
Income from operation		0.00	0.00
		0.00	0.00
EXPENDITURE			
Administration Expenses	6	188388.00	651407.00
Miscellaneous Expenditure Written Off	7	1292.00	1292.00
TOTAL (RS.)		189680.00	652699.00
Profit/(Loss) before tax		(189680.00)	(652699.00)
Provision for Tax		0.00	0.00
Profit/(Loss) after Tax		(189680.00)	(652699.00)
Balance profit(Loss)brought from previous year		(1972124.90)	(1319425.90)
Balance profit/(loss)carried to Balance Sheet		(2161804.90)	(1972124.90)
Notes to the Accounts	8		

As per our report of even date

For and on Behalf of the Board

For Nath & Hari
Chartered Accountants

R.L.Gupta (Chairman)

(Kailash Hari)
Partner

Mukesh Gupta (Director)

Place:- Delhi.

Date:- 24th August '2006

IEC LEASING & CAPITAL MANAGEMENT LTD.

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH,2006

	CURRENT YEAR	PREVIOUS YEAR
SCHEDULE '6'		
<u>ADMINISTRATION EXPENSES</u>		
Audit Fee	5612.00	4408.00
Bank Charges	856.00	164.00
R.O.C.Filling Charges	1500.00	5000.00
Printing & Stationery	7510.00	26790.00
Photostat & Typing	6285.00	17580.00
General Expenses	10700.00	22485.00
Consultancy Charges	16905.00	55800.00
Salary Allowances	88800.00	288500.00
Conveyance charges	10210.00	34570.00
Postage & Telegram	4580.00	15030.00
Professional Charges	16800.00	40500.00
Staff Welfare	9480.00	12580.00
Hiring charges	9150.00	48000.00
Bad Debt written off	0.00	80000.00
	188388.00	651407.00
SCHEDULE '7'		
<u>MISCELLANEOUS EXPENDITURE WRITTEN OFF</u>	1292.00	1292.00
Preliminary Expenses		
	1292.00	1292.00

SCHEDULE 8
NOTES TO THE ACCOUNTS

1. Significant Accounting Policies

- a) The financial Statements have been prepared in accordance with the generally accepted accounting principles.
 - b) Accrual method of accounting is followed with regard to income and expenses.
 - c) No provision for gratuity has been made by the company for the financial year.
 - d) Preliminary expenses are to be written off over a period of 10 years
 - e) Long term investments are valued at cost.
 - f) The Company's policy is to treat tax expenses for the year comprising current tax and deferred tax, in the determination of the net profit/loss for the period. However as per Para 15 to 18 of AS-22, the Company is virtually not certain of the fact , whether future taxable income will be available against which deferred tax asset can be realized. Thus the Company has not created any deferred tax asset and shall do the same when it is certain that deferred tax asset can be realized.
2. Previous years figure have been regrouped / rearranged wherever considered necessary
3. Auditor's remuneration consist of audit fee of Rs. 5612/- (previous year Rs. 4408/-)
4. Additional information pursuant to para 3,4c & 4d of part -II of schedule-VI of the Companies Act 1956 is not given as the same is not applicable.
5. Schedule No. 1 to 8 form an integral part of the accounts and have duly been authenticated.

As per our report of even date

For and on Behalf of the Board

For **Nath & Hari**
Chartered Accountants

R.L.Gupta (Chairman)

(**Kailash Hari**)

Mukesh Gupta (Director)

Partner
Place : Delhi
Date :24thAugust,2006



IEC SOFTWARES LTD.

Registered Office: M-92, Connaught Place (Opp. Super Bazar),
New Delhi-110 001

FORM OF PROXY

I/We _____ of _____
_____ in the district of _____
_____ being a member(s) of the above named Company, hereby appoint
Mr./Mrs. _____ in the district of _____
_____ or failing him/her, Mr./Ms. _____
of _____ in the district of _____
_____ as my/our proxy to vote for me/us on my/our behalf at the
Twelfth Annual General Meeting of the Company to be held on Monday, the September 25, 2006 at
10.00 a.m. at Shah Auditorium, 2, Raj Niwas Marg, Delhi -110 054 or at any adjournment thereof.
Signed this _____ day of _____ 2 006
No. of Shares held _____ Regd. Folio No. _____

**Affix
Revenue
Stamp**

Signature(s) _____ Client ID No. _____ Dp ID _____
(for Demat Shareholders)

Note:

- 1. The Proxy form should be signed across the stamp as per specimen signature(s) registered with the Company.
- 2. The proxy form must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the meeting.

IEC SOFTWARES LTD.

Registered Office: IEC House, M-92, Connaught Place (Opp. Super Bazar), New Delhi -110001

ATTENDANCE SLIP

I/We hereby record my/our presence at the Twelfth Annual General Meeting of the Company to be held on Monday the September 25, 2006 at 10.00 a.m. at Shah Auditorium, 2 Raj Niwas Marg, Delhi -110 054 or at any adjournment thereof.

Full Name of _____ of _____ the _____ Member _____ (in _____ block letters)

Registered Folio No. _____ Client ID No. _____ Dp ID No. _____
(For Demat Shareholders)

Full Name of Proxy (in block letters) _____

Signature(s) of the Member or Proxy(s) present: - _____

Note:

- 1. Please complete this Attendance Slip and hand it over at the entrance of the venue of the meeting for verification.
- 2. Only members or their proxies with this Attendance Slip will be allowed to attend the meeting.

