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SOFTSOL INDIA LIMITED

BOARD OF DIRECTORS

Mr. Srinivasa Rao Madala	Chairman
Mr. Bhaskara Rao Madala	Whole-time Director
Dr. Durga V.L.K.Madala	
Dr. T. Hanuman Chowdary	
Dr. Jayaprakash Narayan	
Mr. B. S. Srinivasan	Alternate director to Dr. Durga V.L.K.Madala

COMPANY SECRETARY

Mr. Anil Kumar Singh

STATUTORY AUDITORS

M/s. Balarami & Nagarjuna, Chartered Accountants
Hyderabad.

INTERNAL AUDITORS

M/s. Brahmayya & Co., Chartered Accountants
Hyderabad.

REGISTERED OFFICE

Plot No. 4, Infocity, Madhapur, Hyderabad - 500 033.
Telephone: + 91 (40) 5577- 6464
Facsimile : + 91 (40) 5577-6468
E-mail: softsol@softsolindia.com
Website: www.softsolindia.com

BANKERS

ICICI Bank Limited
UTI Bank Limited

SHARE TRANSFER AGENT

M/s. Karvy Computershare Private Limited
KARVY House, Road No.1,
Banjara Hills, Hyderabad - 500 034.
Telephone: + 91 (40) 2332-6591
Facsimile: +91 (40) 2331-1968

LISTING

Hyderabad Stock Exchange Limited
The Stock Exchange, Mumbai

NOTICE OF THE 14TH ANNUAL GENERAL MEETING

Notice is hereby given that the 14th Annual General Meeting of the members of SoftSol India Limited will be held on Thursday, the 30th day of September, 2004 at the registered office of the company situated at Plot No.4, Infocity, Madhapur, Hyderabad - 500 033 at 11.00 a.m. to transact the following business:

1. To receive, consider and adopt the Balance Sheet of the Company as at March 31, 2004 and Profit & Loss Account for the year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Dr. T. Hanuman Chowdary, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a Director in place of Dr. Jayaprakash Narayan, who retires by rotation and being eligible offers himself for re-appointment.
4. To consider, and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT M/s. Balarami & Nagarjuna, Chartered Accountants, Hyderabad, be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Board of Directors of the Company in addition to actual out of pocket expenses incurred by them for the purpose of audit.”

Special Business:

5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956 including any statutory modification(s) or re-enactment(s) thereof, for the time being in force, the company be and is hereby re-appoint Mr. Bhaskara Rao Madala as Whole-time Director of the Company for a further period of five years with effect from November 1, 2004 on the following terms and conditions:

1. **Salary:** Rs. 50,000 (Rupees fifty thousand only) per month.
2. **Perquisites and Allowances not exceeding basic salary per month:**
 - a) House Rent Allowance: 40% of the Basic Salary.
 - b) Medical Reimbursement: Expenses incurred for self and family subject to the ceiling of Rs.15,000/- per annum.
 - c) Leave Travel Allowance: For Self and family once in a year incurred in accordance with the rules of the Company.
 - d) Club Fees: Fees of clubs subject to a maximum of two clubs excluding admission and life membership fees.
 - e) Personal Accident Insurance: Personal accident Insurance policy for an amount, the annual premium of which shall not exceed Rs.20,000/- per annum.

- f) Contribution to Provident Fund, Superannuating and Annuity Fund: As per the rules of the Company applicable to other managerial personnel.
- g) Gratuity: As per the rules of the Company applicable to the other managerial personnel.
- h) Leave: Entitled to avail leave with full pay or encashment thereof as per the rules of the Company applicable to the other managerial personnel.

In addition to the above, the Whole-time Director shall be provided with a car and telephone at his residence, the maintenance and running expenses of which shall be borne by the Company. The use of the Company's car and telephone for office purpose shall not be treated as perquisites."

"RESOLVED FURTHER that in the event of loss or inadequacy of profits in any financial year of the Company, the remuneration and perquisites set out in the aforesaid resolution be paid to Mr. Bhaskara Rao Madala, Whole-time Director as minimum remuneration provided that the total remuneration by way of salary, perquisites and any other allowances shall not exceed the ceiling provided in Section II of Part II of Schedule XIII to the said Act."

"FURTHER RESOLVED THAT the Board or any committee thereof be and is hereby authorized on behalf of the company to do all such acts, deeds, matters and things as it may be necessary for the purpose of giving effect to this resolution."

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

"RESOLVED THAT pursuant to the applicable provisions of Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 and in accordance with the provisions of the Companies Act, 1956, including any statutory modification(s) or re-enactment(s) thereof for the time being in force, Securities Contracts (Regulation) Act, 1956, Listing agreements entered into with the stock exchanges, and all other applicable rules, regulations and guidelines and subject to the approval, consent, permission or sanction of the Securities and Exchange Board of India, Stock Exchanges, where the shares of the Company are listed and any other appropriate authorities, institutions or regulators as may be necessary and subject to such conditions and modifications, if any, as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board"), which term shall be deemed to include any committee of the Board, the consent of the Company be and is hereby accorded to delist the shares of the Company from the Hyderabad Stock Exchange Limited."

"FURTHER RESOLVED THAT the Board or any committee thereof be and is hereby authorized on behalf of the Company to do all such acts, deeds, matters and things as it may be necessary for the purpose of giving effect to this resolution."

**By Order of the Board of Directors,
of SoftSol India Limited**

**Sd/-
Bhaskara Rao Madala
Whole-time Director**

**Place: Hyderabad
Date: 29-06-2004**

Notes :

1. A MEMBER OF THE COMPANY ENTITLED TO ATTEND AND VOTE AT A MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

The Proxy form, in order to be effective, must be deposited at the Registered office of the Company not less than 48 hours before commencement of the meeting.

2. An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of special business is annexed hereto.
3. The Register of Members and the Share Transfer Books will remain closed from 29-09-2004 to 30-09-2004 both days inclusive.
4. Members / Proxies are requested to bring annual report along with the attendance slip filled in for attending the meeting.

Explanatory Statement, as required under Section 173 of the Companies Act, 1956.**Item No.5**

Mr. Bhaskara Rao Madala was appointed as Whole-time Director of the Company on November 1, 1999 for a period of five years i.e up to October 31, 2004. The Remuneration Committee of the Board of Directors and the Board of Directors of the Company in its meeting held on June 29, 2004 recommended re-appointment of Mr. Bhaskara Rao Madala as Whole-time director of the Company for another term of five years with effect from November 1, 2004.

Appointee details:

Background details: Mr. Bhaskara Rao Madala is a graduate in Science and bachelor of education. He holds 30 years of experience in teaching.

Past remuneration: Mr. Bhaskara Rao Madala was drawing remuneration of Rs. 40,000 per month plus perquisites not exceeding monthly basic salary of Rs. 40,000.

Job profile and suitability: He is an authorized representative of the Company.

Pecuniary relationship: Mr. Bhaskara Rao Madala is a parental uncle of Mr. Srinivasa Rao Madala, Promoter director of the Company.

Your directors recommend the resolution as set out in Item No.5 of the notice for approval of the members.

No director other than Mr. Bhaskara Rao Madala, Mr. Srinivasa Rao Madala, Promoter director and Dr. Durga VLK Madala, Director is, in any way, concerned or interested in this Resolution.

Item No.6

Equity Shares of the company are listed on The Stock Exchange, Mumbai (BSE) and The Hyderabad Stock Exchange Limited (HSE), the regional stock exchange. Since August 2002 there is no trading of shares on the HSE. However shares are regularly traded on the BSE reason being wide spread of nation wide online terminals of BSE coupled with Internet trading.

In accordance with Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, companies can opt to delist shares from one or more stock exchanges including regional stock exchanges subject to the approval of the shareholders. The guidelines do not require the company to provide exit opportunity, if the shares are listed and traded on the stock exchanges having nation wide trading terminals.

The company has proposed this resolution as set out in Item No.6 of the notice to enable it to delist its equity shares from HSE. The proposed delisting of equity shares from HSE will not affect the investors in any way. The Company's equity shares will continue to list on BSE.

Yours directors recommend the resolution for your approval. None of the directors of your Company is, in any way, concerned or interested in this resolution.

**By Order of the Board of Directors,
of SoftSol India Limited**

**Sd/-
Bhaskara Rao Madala
Whole-time Director**

**Place: Hyderabad
Date: 29-06-2004**

Additional Information:

Details of Directors seeking reappointment at the forthcoming Annual General Meeting to be held on September 30, 2004 (Pursuant to Clause 49 of the Listing Agreement)

Name of Director	Dr. T. Hanuman Chowdary	Dr. Jayaprakash Narayan
Date of Birth	18-10-1931	14-01-1956
Date of appointment	02-07-1999	15-07-1999
Experience	More than 45 years of experience in Information Technology and Telecommunications industry.	An Ex-IAS officer. Currently he is campaign coordinator of Loksatta, a social organization.
Educational Qualifications	Bachelor of Engineering (B.E.)	M.B.B.S
List of Companies in which outside Directorship held	1. Sify Limited 2. Tera Software Limited	1. Astha Power Corporation Private Limited
No.of Chairmanships /memberships of the Committees of the Board of directors of the Company	Two	Three
No.of Chairmanships /memberships of the Committees of Directors of other companies	One	Nil

DIRECTORS' REPORT

Dear Members,

Your Directors take pleasure in presenting their report for the year 2003-04.

The Financial Highlights:

(Rs. in Lakhs)

Particulars	2003-2004	2002-2003
Sales	633.82	1219.97
Other Income	136.84	261.20
Total Income	770.66	1481.17
Total Expenditure	572.83	851.38
Operating Profit (PBDIT)	197.83	629.79
Interest	Nil	Nil
Gross Profit	197.83	629.79
Depreciation	71.47	106.35
Profit before Tax	126.36	523.44
Provision for Taxation	34.50	92.97
Profit after Tax	32.64	371.24
Transfer to General Reserve	1.63	37.12
Earning per Share (Rs.)	0.18	1.99
Dividend %	Nil	10.00
Total Paid-up Capital	1864.17	1864.23

Review of Operations and Future Outlook:

During the year 2003-04 the Company's net profit was Rs. 32.64 Lakhs in comparison with the previous year net profit of Rs. 371.24 Lakhs. Net profit of the Company has fallen by 91% in the year 2003-04 in comparison with the previous year. The fall in net profit is due to acceptance of offshore business model by its major USA based clients, which resulted in sharp decline in onsite exports.

To strengthen offshore business development center in India, your company is hiring senior management people and is also building competitive technical team. Your directors are confident that the performance of your company will improve in the year 2004-05 with the strengthening of offshore development centre in India.

Dividend:

Your Company is ploughing back the revenue generated during the year 2003-04 in strengthening its development center situated in Infocity, Hyderabad and hence Board of Directors of your Company could not to declare dividend for the year 2003-04.

Subsidiary Company:

SoftSol Resources Inc., a wholly owned subsidiary of the Company, recorded total revenue of US\$ 93.40 Lakhs and net Income of US\$ 42,849 during the year 2003.

Directors:

Dr. T. Hanuman Chowdary and Dr. Jayaprakash Narayan are retiring by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

Auditors:

M/s. Balarami & Nagarjuna, Chartered Accountants, Hyderabad, the Statutory Auditors of the Company hold office till the conclusion of forthcoming Annual General Meeting. Your directors recommend their appointment at the ensuing Annual General Meeting as Statutory Auditors.

Corporate Governance:

The report on Corporate Governance is annexed to this report.

Directors' Responsibility Statement:

In terms of the provisions of section 217(2AA) of the Companies Act, 1956 (Act), your Directors confirm as under:

1. That, in the preparation of the annual accounts, the applicable Accounting Standards had been followed along with the proper explanation relating to material departures;
2. That, the Directors had 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 profit or loss of the Company for that period.
3. That, the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That, the Directors had prepared the annual accounts on a going concern basis.

Deposits:

During the year under review, the Company has not accepted any deposits within the meaning of Section 58A of the Companies Act, 1956 and the rules made there under. As such no amount of principle or interest towards deposit was outstanding on the date of the Balance Sheet.

Information u/s. 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988.

Conservation of Energy, Research & Development, Technology Absorption, Foreign Exchange earnings and Outgo:

- a) Conservation of Energy: The operations of your Company are not energy intensive. Adequate measures have been taken to conserve by using energy efficient computers and equipment with latest technologies. The Company has been taking adequate measures to reduce energy consumption at all levels such as electrical energy used for air-conditioning of the premises, lighting and supply of electrical energy to computer systems.
- b) Research and Development: Your Company provides IT services to its USA based wholly owned subsidiary Company and is not into product development. Hence no amount was spent in Research and Development during the year 2003-04.
- c) Technology Absorption: Your Company is constantly upgrading its technological excellence with emerging technologies.
- d) Foreign Exchange earnings and outgo: Total foreign exchange earnings during the year was Rs. 633.82 Lakhs (Previous year Rs. 1219.96 Lakhs) and foreign exchange outgo was Rs 481.13 Lakhs (previous year Rs. 1508.28 Lakhs)

Particulars of Employees:

None of the employees drew remuneration of Rs.24-00 lakhs or more per annum / Rs.2-00 lakhs or more per month during the year. This information is furnished as required under section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

Insider Trading Regulations:

Your company has implemented Model code of conduct for prevention of insider trading. Directors and senior management people of your company have complied with the code of conduct.

Internal Control Systems:

Internal controls implemented by your Company are adequate to ensure that the financial statements are correct, sufficient and credible.

Listing:

The Equity shares of the Company are listed at The Hyderabad Stock Exchange Limited (HSE) and The Stock Exchange, Mumbai (BSE). Your Company has paid the annual listing fees for the year 2004-05 to the stock exchanges.

Delisting:

Since August 2002 there is no trading of your Company's shares on the HSE. However your Company's shares are regularly traded on the BSE, reason being wide spread of nation wide online terminals of BSE coupled with Internet trading. In accordance with Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, Companies can opt to delist shares from one or more stock exchanges including regional stock exchanges subject to the approval of the shareholders. The guidelines do not require the Company to provide exit opportunity, if the shares are listed and traded on the stock exchanges having nation wide trading terminals.

Your directors have recommended delisting of equity shares of the company for the approval of the members in the ensuing Annual General Meeting.

Acknowledgements:

Your Directors take this opportunity to thank all investors, business partners, clients, banks, regulatory and governmental authorities, stock exchanges and employees for their continued support.

**for and behalf of the Board of Directors
of SoftSol India Limited**

**Sd/-
Bhaskara Rao Madala
Whole-time Director**

**Place: Hyderabad
Date: 23-07-2004**

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

The Company's philosophy on Corporate Governance is to adopt best practices of governance in all facets of its activities with a motive to enhance overall stakeholder's value.

2. BOARD OF DIRECTORS

a) **Composition of the Board and Category of Directors:** The composition of the Board of Directors of the Company as on March 31, 2004 is as follows:

Name	Category	Designation	* No. of memberships of other Boards	No. of Membership of other Committees	No. of Chairmanship in other Committees
Mr. Srinivasa Rao Madala	Promoter Director	Chairman	Nil	Nil	Nil
Dr. Durga V.L.K. Madala	Promoter Director	Director	Nil	Nil	Nil
Mr. Bhaskara Rao Madala	Executive Director	Whole-time Director	Nil	Nil	Nil
Dr. T. Hanuman Chowdary	Independent Non-Executive Director	Director	Two	One	Nil
Dr. Jayaprakash Narayan	Independent Non-Executive Director	Director	Nil	Nil	Nil
Mr. B.S.Srinivasan	Independent Non-Executive Director	Alternate Director to Dr. Durga VLK Madala	Nil	Nil	Nil

* Directorship details exclude private companies, foreign companies and alternate directorships.

b) **Details of Board Meetings :** During the year 2003-04 Board of Directors of the Company met six times i.e on 23-04-2003, 30-06-2003, 28-07-2003, 25-09-2003, 17-10-2003 and 29-01-2004. The attendance details of the directors at the Board Meetings and last Annual General Meeting is as follows:

Name of the Director	No. of Board Meetings held	No. of Board Meetings attended	Whether attended last AGM
Mr. Srinivasa Rao Madala	6	1	Yes
Dr. Durga V.L.K. Madala	6	Nil	No
Mr. Bhaskara Rao Madala	6	6	Yes
Dr. T. Hanuman Chowdary	6	4	Yes
Dr. Jayaprakash Narayan	6	5	No
Mr. B.S.Srinivasan	6	6	Yes

c) **Re-appointment of Directors :** Dr. T. Hanuman Chowdary and Dr. Jayaprakash Narayan, Directors of the Company shall retire by rotation at the forthcoming Annual General Meeting and being eligible offers themselves for re-appointment.

d) **Shareholding details of non-executive Directors :** Details of the shares of the Company held by non-executive directors of the Company is as follows:

Name of the Director	No. of shares held as on 31-03-2004
Dr. T. Hanuman Chowdary	Nil
Dr. Jayaprakash Narayan	2,000
Mr. B.S.Srinivasan	3,000

3. BOARD COMMITTEES

The Board has three committees viz. the Audit Committee, the Remuneration Committee and the Share transfers and Shareholders Grievance Committee.

a) AUDIT COMMITTEE:

There are three members of the audit committee and all the members of the committee are non-executive Independent members. Members of the Audit Committee are Dr. Jayaprakash Narayan, Dr. T.Hanuman Chowdary and Mr. B.S.Srinivasan. Dr. Jayaprakash Narayan is the Chairman of the Audit Committee. Mr. Anil Kumar Singh, Company Secretary is the Secretary of the Audit Committee.

Terms of Reference:

The constitution of the Audit Committee meets all the requirements of Clause-49 of the Listing Agreement and Section 292A of the Companies Act, 1956. The terms of reference for the Audit Committee are as follows:

- ★ Reviewing with the management the periodical and annual financial statements before submission to the Board, focusing primarily on:
 - Any changes in accounting policies and practices.
 - Qualification in draft audit report.
 - The Going concern assumption.
 - Compliance with accounting standards.
 - Compliance of requirements of stock exchanges and legal requirements concerning financial statements.
 - Reviewing of Related party transactions.
- ★ Recommend to the Board the appointment and removal of the Statutory Auditors, fixation of audit fee and also approve payment for any other services.
- ★ Oversight of the Company's financial reporting process and disclosure of financial information to ensure that the financial statements are correct, adequate and credible.

- ★ Review the adequacy of internal audit function, including the structure of internal audit department, reporting structure and frequency of internal audit. The audit committee also reviews the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and report the matter to the Board.
- ★ Reviewing the Company's financial and risk management policies.
- ★ The Audit Committee can seek information from any employee and can obtain from outside any legal or other professional advice.
- ★ Review such other matters in relation to the accounting, auditing and financial reporting practices and procedures of the Company as the Committee may, in its own discretion, deem desirable in connection with the review functions described above.
- ★ The Chairman of the Committee would attend the Annual General Meetings of the Company to provide any clarification on matters relating to audit sought by the members of the Company.

Meetings and Attendance:

During the financial year 2003-04 Audit Committee of the Board of Directors met 4 times i.e. on 30.06.2003, 28.07.2003, 17.10.2003 and 29.01.2004. The attendance details of the members of the audit committee is as follows:

Name of the Committee Members	Number of Meetings held	Number of Meetings attended
Dr. Jayaprakash Narayan	4	4
Dr. T. Hanuman Chowdary	4	4
Mr. B. S. Srinivasan	4	4

b) REMUNERATION COMMITTEE:

The members of the Remuneration Committee of the Board of Directors of the Company are Dr. Jayaprakash Narayan, Dr. T.Hanuman Chowdary and Mr. B.S.Srinivasan. Dr. Jayaprakash Narayan is the Chairman of the said Committee.

Terms of Reference:

The terms of reference of the Remuneration Committee are:

- ★ To review and approve / recommend the remuneration for the Corporate officers and Whole-time director of the Company.
- ★ To review and recommend to the Board the remuneration policy for the Company.
- ★ To approve grant of stock options to the employees and / or directors of the Company and subsidiary.
- ★ To discharge such other functions or exercise such powers as may be delegated to the Committee by the Board from time to time.

Remuneration Policy for Directors:

No director other than Mr. Bhaskara Rao Madala is drawing remuneration from Company. Mr. Bhaskara Rao Madala is drawing remuneration for the services rendered in the capacity of Whole-time Director of the Company. A sitting fee of Rs. 4,000 (Rupees four thousand only) is being paid to non-executive directors for attending each board meeting.

The details of remuneration and sitting fees paid or provided to each of the Directors during the year 2003-04 are as follows:

(In Rs.)

Name of the Director	Designation	Salary & Perks	Commission	Sitting Fees	Total
Mr. Srinivasa Rao Madala	Director	Nil	Nil	Nil	Nil
Dr. Durga VLK Madala	Director	Nil	Nil	Nil	Nil
Mr. Bhaskara Rao Madala	Whole-time Director	5,58,000	Nil	Nil	5,58,000
Dr. T. Hanuman Chowdary	Director	Nil	Nil	16,000	16,000
Dr. Jayaprakash Narayan	Director	Nil	Nil	20,000	20,000
Mr. B.S.Srinivasan	Alternate Director	Nil	Nil	24,000	24,000

No other benefits, bonuses, stock options, pensions or performance-linked incentives are paid to directors except as mentioned above.

c) SHARE TRANSFERS AND SHAREHOLDERS GRIEVANCE COMMITTEE

Dr. Jayaprakash Narayan, Mr. Bhaskara Rao Madala and Mr. B. S. Srinivasan are members of the Share Transfers and Shareholders Grievance Committee. Dr. Jayaprakash Narayan is the Chairman of the said committee.

Mr. Anil Kumar Singh, Company Secretary is the Compliance Officer.

Terms of Reference:

In view of the SEBI Corporate Governance norms, which have been incorporated in the Listing Agreement, the Share Transfers and Shareholders Grievance Committee has been constituted to undertake the following activities:

- ★ To review and take all necessary actions for redressal of investors grievances and complaints as may be required in the interests of the investors.
- ★ To approve requests for share transfers, transmissions, transpositions, rematerialisations, split and duplicate share certificates.

- ★ To oversee the performance of the Share Transfer Agent (M/s. Karvy Computershare Private Limited), and recommends measures for overall improvement in the quality of investor services.

During the year Company received two complaints, which were attended and solved to the satisfaction of shareholders. There are no pending share transfers as on date of this report.

Meetings and Attendance:

The Committee met 12 times i.e. on 09.04.2003, 04.09.2003, 22.09.2003, 29.10.2003, 15.11.2003, 01.12.2003, 14.01.2004, 21.01.2004, 29.01.2004, 10.02.2004, 26.02.2004 and 12.03.2004 to approve share transfers, issue of duplicate shares and review matters connected with redressal of shareholders complaints.

Attendance of Directors at the committee meetings is as under:

Name of the Committee Members	Number of Meetings held	Number of Meetings attended
Dr. Jayaprakash Narayan	12	12
Mr. Bhaskara Rao Madala	12	12
Mr. B. S. Srinivasan	12	12

4. ANNUAL GENERAL MEETINGS:

Details of the last three Annual General Meetings (AGM) are as follows:

Year/Period	Day, Date and Time	Location
2000-01	Thursday, 26 th July 2001 at 11.00 A.M.	At the Registered office of the Company at Plot No.4, Infocity, Madhapur, Hyderabad - 500 033.
2001-02	Thursday, 29 th August 2002 at 11.00 A.M.	At the Registered office of the Company at Plot No.4, Infocity, Madhapur, Hyderabad - 500 033.
2002-03	Thursday, 25 th September 2003 at 11.00 A.M.	At the Registered office of the Company at Plot No.4, Infocity, Madhapur, Hyderabad - 500 033.

No business was transacted through postal ballot at the last three AGM and also no business is required to be transacted through postal ballot at the forthcoming annual general meeting.

5. DISCLOSURES:

- a) SoftSol Technologies Inc., USA (STI)

SoftSol Technologies Inc., (STI) holds 47.64% of the total shareholding of SoftSol India Limited. However there have been no transactions between SIL & STI during the financial year ended 31-03-2004 and in the corresponding previous year.

SoftSol Resources Inc., USA (SRI)

SoftSol India Limited holds 100% shareholding of SRI and hence SRI is a wholly owned subsidiary of SIL. The transactions details of the company with the SRI as of 31-03-2004 are :

	31-03-2004 (in Rs.)	31-03-2003 (in Rs.)
Sales	6,33,82,194	12,19,96,556
Onsite Expenditure	4,81,13,330	7,51,01,391
Investment	NIL	6,04,55,000

No Loans and Advances to Subsidiary company have been made in the financial year 2003-2004.

- b) There are no pecuniary relationship or transactions with non-executive directors vis-a-vis the Company, which has potential conflict with the interests of the Company at large.
- c) The Company has complied with the requirements of the Stock Exchanges, SEBI and other statutory authorities on all matters relating to capital markets during the last three years. No penalties or strictures has been imposed on the Company by Stock Exchange(s) or SEBI or any statutory authority on any matter related to capital markets during last three years.

6. MEANS OF COMMUNICATION:

The quarterly, half-yearly and yearly financial results of the Company have been furnished to the Stock Exchanges where shares of the company are listed as per listing agreement and are also published in the Business Standard (English Daily) and a vernacular newspaper.

Details as required under Listing agreement are also posted on the Electronic Data Information Filing and Retrieval (EDIFAR) website maintained by SEBI in association with the National Informatics Centre (NIC).

The Management Discussion and Analysis forms part of the Directors' Report.

7. GENERAL SHAREHOLDER INFORMATION:

Registered Office & address for Correspondence:

Plot No.4, Infocity, Madhapur, Hyderabad - 500 033.

Annual General Meeting: (Date, Time and Venue)

September 30, 2004; 11.00 A.M

Plot No.4, Infocity, Madhapur, Hyderabad - 500 033.

Book Closure:

September 29, 2004 to September 30, 2004.

Listing of Shares:

1. The Stock Exchange, Mumbai (Stock Code No. 532344)
2. The Hyderabad Stock Exchange Ltd. (Stock Code No. 6337)

Share Transfer Agent:

Karvy Computershare Private Limited, Karvy House, 46, Street No.1, Banjara Hills, Hyderabad - 500 034.

Share Transfer System:

Equity Shares lodged for transfer in physical mode are normally registered within 15 days from the date of receipt. The Share Transfer Agent is handling all the Share Transfers and related transactions.

As on March 31, 2004, no share transfer or complaints were pending.

Listing Fee:

The Company has paid listing fees for the financial year 2004-2005 to all the Stock Exchanges where its securities are listed.

Distribution of Shareholding as on March 31, 2004:

Number of Equity Shares held	Shareholders (Numbers)	Shareholders (Percentage)	Shares (Numbers)	Shares (Percentage)
1 - 5000	3425	84.04	712924	3.83
5001 - 10000	419	10.28	360696	1.93
10001 - 20000	127	3.12	191734	1.03
20001 - 30000	39	0.96	99800	0.54
30001 - 40000	21	0.52	76261	0.41
40001 - 50000	11	0.27	49209	0.26
50001 - 100000	11	0.27	79786	0.43
100001 & above	22	0.54	17058272	91.57
Total	4075	100.00	18628682	100.00

Financial Calendar :

Date of Annual General Meeting : September 30, 2004
 First quarter results : July 2004
 Second quarter results : October 2004
 Third quarter results : January 2005
 Annual Results : June 2005
 Annual General Meeting : August / September 2005.

Shareholding Pattern as on March 31, 2004.

Category	No. of Holders	No. of Shares	% of Shareholding
Promoters	9	11396974	61.18
Non-Resident Indians	13	170047	0.92
FIs/Banks etc.	Nil	Nil	Nil
Mutual Funds and UTI	Nil	Nil	Nil
Foreign Institutional Investors	Nil	Nil	Nil
Body Corporates	81	5387009	28.92
Indian Public	3972	1674652	8.98
Total	4075	18628682	100.00

Market Price Data:

The high/low market price of the shares during the financial year 2003-04 at the Stock Exchange, Mumbai (BSE) and the Hyderabad Stock Exchange Limited (HSE).

Month	BSE - High	BSE - Low	HSE - High	HSE - Low
April 2003	9.75	7.30	Nil	Nil
May 2003	11.10	7.20	Nil	Nil
June 2003	11.20	8.30	Nil	Nil
July 2003	14.84	9.65	Nil	Nil
August 2003	15.49	11.65	Nil	Nil
September 2003	13.95	10.78	Nil	Nil
October 2003	12.50	8.10	Nil	Nil
November 2003	11.49	8.77	Nil	Nil
December 2003	19.80	10.85	Nil	Nil
January 2004	18.45	11.55	Nil	Nil
February 2004	12.50	9.00	Nil	Nil
March 2004	10.70	7.25	Nil	Nil

Dematerialization of Shares:

Shares of the Company are under compulsory demat list and nearly 70% of total Equity Share Capital is held in dematerialized form with NSDL and CDSL as on 31.03.2004.

Identification Number of scrip given by NSDL and CDSL is **INE002B01016**.

Electronic Connectivity:

National Securities Depository Limited
Trade world, Kamala Mills Compound
Senapati Bapat Marg, Lower parel
Mumbai - 400 013.

Central Depository Services (India) Limited
Phiroze Jeejeebhoy Towers, 28th Floor
Dalal Street, Mumbai - 400 023.

Shareholders' General Correspondence Address:

Company Secretary, SoftSol India Limited, Plot No.4, Infocity, Madhapur, Hyderabad - 500 033.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry structure and developments

Analysts and industry associations such as NASSCOM are projecting a positive outlook for the Indian software and services sector. There are great expectations from the industry, based on global market trends, which indicate that IT budgets, will shift to complete IT outsourcing. The market will also see a substantial bundling of IT services and BPO.

While the key standards will be controlled by the 3-4 large vendors, IT software and service project execution will take place through a global delivery model. Global vendors will continue to set up offshore development bases in lower cost labor pools, with most companies offering three-tier delivery and a network of global centers.

The overall IT software and services industry size is expected to grow to US\$ 20 billion in 2005.

NASSCOM's projections for the IT software and services market for the year 2004-05 are as follows:

- Among the top ten industries in the country.
- overall industry growth expected to touch 29 percent.
- industry to grow from US\$ 15.9 billion in FY04 to US\$ 20.5 billion in FY05.
- the industry will achieve an export growth of 30-32 percent, with exports reaching around US\$ 16.3 billion.
- IT services are forecast to grow at 26-28 percent to touch US\$ 11.2 billion.
- domestic market growth to increase to 24 percent.
- the government's focus on governance, broadband and convergence will lead to domestic revenues of US\$ 4.2 billion (up from US\$ 3.4 billion in FY04).
- a strong growth in the mobile market will drive applications.
- the education, banking, automotive and retail sectors will hike IT spend.
- lower hardware tariffs will further drive growth.

Opportunities, Threats, Risks and Concerns

The software sector can continue on its robust growth path, provided it can successfully stave off some of the challenges it will face as it moves forward. The industry will have to address the following internal and external challenges:

- the need for new transition management methodologies, process and capabilities.
- the requirement to shift significant workforce offshore while growing local jobs.
- the need to attract highest quality programming talent in India and recruiting lateral, senior-middle managers.
- the need to manage the downward pressure on revenue (and absolute profitability).
- significant one-time costs of severance, knowledge transfer and duplicate facilities.
- the need for a robust legal and enforcement framework to stem security and privacy concerns.
- the need for adherence to specific country and vertical laws.
- the need to focus on GATS, for the movement of personnel.
- the need to improve infrastructure and the availability of quality manpower.

SoftSol's position

Your company is aware of the changes in business environment and has put in place the following strategies:

- Strengthening of Offshore development centre so as to be in a good position to operate in the Offshore delivery model.

- Building competitive technical team.
- Cut down cost of operations.
- Best utilisation of available resources.

Outlook

Your company believes that in the year 2004-05 income from software exports will record an estimate growth of 30% in comparison with the previous year performance.

Internal Control Systems and their adequacy

The internal control systems of the company are implemented with a view to achieve good ethical culture in the organization. The internal control systems of the company would ensure that any vulnerability in the achievement of the company's objectives caused by risk factors whether internal or external, existing or emerging, is detected and reported in a timely manner and is meted out with appropriate corrective action.

The company has quarterly Internal Audit, an independent appraisal function to evaluate the effectiveness of the company's internal control system. The findings of internal audit are periodically placed before the Audit committee and the Board of directors of the company.

Financial Performance

In the year 2003-04 income from software exports was Rs. 633.82 Lakhs and the other income was Rs. 136.84 Lakhs. In the previous year income from software export was Rs.1220 Lakhs. Fall in income from exports is due to sharp decrease in revenue generated from onsite IT services rendered by the company to its USA based clients.

Operating expenses in the year 2003-04 was Rs. 544.92 Lakhs as against Rs. 818 Lakhs of the previous year.

The net profit of the company for the year 2003-04 was Rs. 32.64 Lakhs as against previous year's net profit of Rs. 371.24 Lakhs.

Material Developments in human resources/industrial relations front, including number of people employed

The company understands the significance of human resources in the growth of an organization and is committed to build a highly motivated and committed Human resource team. To strengthen offshore development Center your Company is hiring senior management and technical personnel.

Industrial relations were cordial and satisfactory.

As on March 31, 2004, 36 Nos. personnel were employed by the company.

CERTIFICATE OF COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT

To

The members of the SoftSol India Limited

1. We have examined the compliance of conditions of Corporate Governance by SoftSol India Limited (the Company) for the year ended March 31, 2004, as stipulated in clause 49 of the listing agreement of the said company with the stock exchanges in India.
2. The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit or an expression of opinion on the financial statements of the Company.
3. In our opinion and to the best of our information and explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned listing agreement.
4. 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.

For and on behalf of
MR Vijaya Bhaskara & Associates
Company Secretaries

Sd/-
M. Vijaya Bhaskara Rao
Proprietor
Certificate of Practice No.5237

Hyderabad, July 23, 2004.

AUDITORS' REPORT

To
The Share Holders of
SOFTSOL INDIA LIMITED
Hyderabad.

1. We have audited the attached Balance Sheet of M/s. SOFTSOL INDIA LIMITED, Hyderabad as at 31st March, 2004 and the Profit and 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 these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those 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 the management, as well as evaluating the overall financial statements presentation. We believe that our audit provided a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India 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 paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to above, we report that :
 - i) 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;
 - ii) 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 those books of the Company;
 - iii) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv) In our opinion the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3) of section 211 of the Companies Act, 1956;
 - v) On the basis of written representation from the directors, as on 31st March 2004 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2004 from being appointed as a director in terms of clause(g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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;

- a) in the case of the balance sheet, of the state of affairs of the company as at 31st March 2004;
- b) in the case of the profit and loss account, of the profit for the year ended on that date; and
- c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

For **Balarami & Nagarjuna**
Chartered Accountants
Sd./-
(G. Pulla Reddy)
Partner
Membership No. 201199.

Place : Hyderabad
Date : 29-06-2004

Annexure to Auditors' Report

(Referred to in Paragraph 2 of our report of even date)

1. In respect of its fixed assets:
 - a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.
 - b. As explained to us , the fixed assets have been physically verified by the management during the year in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the company and nature of its assets. No material discrepancies were noticed on such physical verification.
 - c. In our opinion, the Company has not disposed off substantial part of fixed assets during the year and the going concern status of the Company is not affected.
2. In respect of its inventories:
 - a. As explained to us, inventories have been physically verified by the management at regular intervals during the year.
 - b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
 - c. The Company has maintained proper records of inventories. As explained to us, there were no material discrepancies noticed on physical verification of inventory as compared to the book records.
3. In respect of Loans :
 - a. The Company has not taken loans from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act,1956. During the year 2003-04 company granted loan of Rs. 20 Lakhs to only one Company i.e. M/s. Srujass Software Private Limited.
 - b. As the company has not taken loans from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act,1956, the question of statement on the rate of interest

and other terms and conditions on which company has taken loans from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act,1956 does not arise. The rate of interest and other terms and conditions at which loan has been given to M/s. Srujass Software Private Limited are not prejudicial to the interest of the company.

- c. As the company has not taken loans from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act,1956, the question of statement on the regular payment of the principal and interest amounts as stipulated does not arise. The company has received regular payment of the principal and interest amount from M/s. Srujass Software Private Limited.
 - d. As the company has not taken loans from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act,1956, the question of statement on the steps taken for payment of the principal and interest on overdue amount of more than one lakh does not arise. No amount is over due to be received from M/s. Srujass Software Private Limited.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory , fixed assets and also for the sale of goods. During the course of our audit, based on our audit procedures applied, we have not observed any continuing failure to correct major weaknesses in internal controls.
5. In respect of transactions covered under Section 301 of the Companies Act 1956 .
- a. In our opinion according to the information and explanations given to us the transactions in pursuance of the contracts or arrangements, that needed to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
 - b. In our opinion and according to the information and explanations given to us , there are no transactions in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 aggregating during the year to Rs. 5,00,000/- (Rupees Five Lacs only) or more in respect of any party.
6. The Company has not accepted any deposits from the public.
7. In our opinion, the internal audit system of the Company is commensurate with its size and nature of its business.
8. In our opinion and according to the information and explanation given to us, the company is exempted to maintain the cost records in pursuant to the Rules made by the Central Government for the maintainance of cost records under Section 209(1) (d) of the Companies Act, 1956.
9. In respect of statutory dues:
- a. The company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees state insurance, income tax, sales tax, wealth tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
 - b. According to the information and explanations given to us no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st march, 2004 for a period of more than six months from the date of becoming payable.

- c. According to the information and explanations given to us, demand for an amount of Rs. 1,82,38,564/- has been made by the Income tax department against the profit earned during the financial year ended 31-03-2001. No provision is made in the current financial year as the matter is pending before the Income Tax Tribunal for adjudication.
10. The Company has no accumulated losses and has not incurred any cash losses during the financial year covered by our audit or in the immediately preceding financial year .
11. Based on our audit procedures and according to the information and explanation given to us, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions , banks or debenture holders.
12. In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion the Company is not a chit fund or a nidhi /mutual benefit fund/ society . Therefore clause 4(xiii) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.
14. The Company has maintained proper records of transactions and contracts in respect of trading in securities, debentures and other investments and timely entries have been made therein. All shares, debentures and other investments have been held by the Company in its own name.
15. The Company has not given guarantees for loans taken by the others from banks or financial institutions.
16. The Company has not raised any new term loans during the year. No term loans was outstanding at the beginning of the year.
17. According to the information and explanations given to us and on an overall examination of the statements and records of the company, that no funds was raised on short-term basis, and hence usage of the same during the period for long-term investment and vice versa does not arise.
18. During the year 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.
19. According to the information and explanations given to us, the company has not issued debentures during the period covered by our report.
20. The Company has not raised any money by way of public issue during the year.
21. In our opinion and according to the information and explanations given, to us no fraud on or by the Company has been noticed or reported during the year, that causes the financial statements to be materially misstated.

Place : Hyderabad
Date : 29-06-2004

For **Balarami & Nagarjuna**
Chartered Accountants
Sd./-
(G. Pulla Reddy)
Partner
Membership No. 201199.

BALANCE SHEET OF SOFTSOL INDIA LIMITED AS AT 31ST MARCH 2004

	SCHEDULE No.	AS AT 31-03-2004 (in Rupees)	AS AT 31-03-2003 (in Rupees)
I (A) SOURCE OF FUNDS			
1. Share Holder's Funds			
(a) Share Capital	01	190,416,190	190,421,810
(b) Reserves and Surplus	02	1,022,002,652	1,018,732,756
2. Loan Funds			
Unsecured Loan	03	43,390,000	94,625,000
TOTAL		1,255,808,842	1,303,779,566
II (B) APPLICATION OF FUNDS			
1. Fixed Assets			
a) Gross Block	04	89,869,063	89,011,262
Less: Depreciation		35,978,318	29,092,870
b) Net Block		53,890,745	59,918,392
Add: Capital Work In Progress		376,185	55,798
Total		54,266,930	59,974,190
2. Investments	05	950,748,599	954,482,194
3. Current Assets, Loans & Advances	06	250,658,628	308,213,005
Less : Current Liabilities & Provisions	07	5,787,894	30,734,981
Net Current Assets		244,870,734	277,478,024
4. Miscellaneous expenses (to the extent not written off or adjusted)	08	5,922,579	11,845,158
TOTAL		1,255,808,842	1,303,779,566
NOTES ON ACCOUNTS	14		

For Balarami & Nagarjuna
Chartered Accountants

Sd./-
(G. Pulla Reddy)
Partner

Place : Hyderabad
Date : 29-06-2004

Sd/-
(M. Bhaskara Rao)
Whole - Time Director

Sd/-
(Anil Kumar Singh)
Company Secretary

For and on behalf of the Board
of SoftSol India Limited

Sd/-
(Dr. T. Hanuman Chowdary)
Director

Sd/-
(B.S.Srinivasan)
Director

PROFIT & LOSS ACCOUNT OF SOFTSOL INDIA LIMITED FOR THE YEAR ENDED 31ST MARCH'2004

	SCHEDULE No.	Current Year 31-03-2004 (in Rupees)	Previous Year 31-03-2003 (in Rupees)
INCOME			
Income from Software Exports	09	63,382,194	121,996,556
Other Income	10	13,684,362	26,120,294
TOTAL INCOME (A)		77,066,556	148,116,850
EXPENDITURE			
Personnel Expenses	11	2,373,283	2,972,203
Operating & Administration Expenses	12	54,492,267	81,799,415
Financial Charges	13	417,240	365,706
TOTAL EXPENDITURE (B)		57,282,790	85,137,324
PROFIT BEFORE DEPRECIATION & TAX (A-B)		19,783,766	62,979,526
Depreciation	04	7,146,911	10,635,109
PROFIT BEFORE TAX		12,636,855	52,344,417
Public Issue Exp. Written Off		5,922,579	5,922,579
NET PROFIT BEFORE TAX		6,714,276	46,421,838
Provision for Taxation		3,450,000	9,297,521
PROFIT FOR THE YEAR		3,264,276	37,124,317
Balance brought forward from previous year		191,693,919	178,896,555
Excess previous year's provision for dividend added back		-	400,961
AMOUNT AVAILABLE FOR APPROPRIATION		194,958,195	216,421,833
APPROPRIATIONS			
Dividend Payable		-	18,628,682
Dividend Tax Payable		-	2,386,800
Transfer to General Reserve		163,214	3,712,432
Balance Carried Forward to Balance Sheet		194,794,981	191,693,919
		194,958,195	216,421,833
Earning Per Share (Basic & Diluted)		0.18	1.99
NOTES ON ACCOUNTS	14		

For Balarami & Nagarjuna
Chartered Accountants

Sd./-
(G. Pulla Reddy)
Partner

Place : Hyderabad
Date : 29-06-2004

Sd/-
(M. Bhaskara Rao)
Whole - Time Director

Sd/-
(Anil Kumar Singh)
Company Secretary

For and on behalf of the Board
of SoftSol India Limited

Sd/-
(Dr. T. Hanuman Chowdary)
Director

Sd/-
(B.S.Srinivasan)
Director

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31-03-2004 (in Rupees)	As at 31-03-2003 (in Rupees)
01. SHARE CAPITAL		
Authorised		
50,000,000 Equity Shares of Rs.10/- each	500,000,000	500,000,000
Issued		
19,681,430 Equity Shares of Rs. 10/-each	196,814,300	196,814,300
Subscribed		
19,455,630 Equity shares Rs. 10/- each	194,556,300	194,556,300
Paid Up Capital		
1,86,27,608 Equity shares of Rs.10/- each	186,276,080	186,286,820
28,200 Equity shares of Rs.5/- each partly paid up	141,000	135,880
	186,417,080	186,422,700
Shares Forfeited		
7,99,822 Equity shares of Rs. 5/- each	3,999,110	3,999,110
TOTAL	190,416,190	190,421,810

02. RESERVES AND SURPLUS	Opening Balance. 01-04-2003	Additions	Deletions	Closing Balance 31-03-2004
Share Premium Account	757,875,110	5,620	-	757,880,730
General Reserve:	69,163,726	163,214	-	69,326,940
Profit & Loss Account	191,693,920	194,794,982	191,693,920	194,794,982
TOTAL	1,018,732,756	194,963,816	191,693,920	1,022,002,652

03. LOAN FUNDS

Unsecured Loan		
Payment due towards Acquisition of Shares of Wholly Owned Subsidiary	43,390,000	94,625,000
TOTAL	43,390,000	94,625,000

04. FIXED ASSETS

NAME OF THE ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AS ON 1-Apr-03 Rs.	ADDITIONS DURING THE PRIOD Rs.	DEDUCTIONS DURING THE PERIOD Rs.	AS ON 31-MAR-04 Rs.	UPTO 31-MAR-03 Rs.	DEDUCTIONS Rs.	DURING THE PERIOD Rs.	TOTAL Rs.	AS ON 31-MAR-04 Rs.	AS ON 31-MAR-03 Rs.
Land	13,918,307	-	-	13,918,307	-	-	-	-	13,918,307	13,918,307
Building	29,760,193	-	-	29,760,193	5,056,225	-	1,235,198	6,291,424	23,468,769	24,703,968
Computers	3,158,480	-	67,600	3,090,880	2,559,108	19,789	220,624	2,759,943	330,937	599,372
Computers - Imported	7,912,630	-	-	7,912,630	6,121,052	-	716,631	6,837,683	1,074,947	1,791,578
Air Condition System	3,297,255	52,000	-	3,349,255	1,485,483	-	253,741	1,739,228	1,610,027	1,811,768
Generator	785,000	-	-	785,000	353,798	-	59,980	413,779	371,221	431,202
Lift	741,985	-	-	741,985	331,344	-	57,120	388,464	353,520	410,641
UPS	754,772	-	-	754,772	335,916	-	58,263	394,179	360,593	418,856
Furniture & Fixtures	7,853,358	66,405	-	7,919,763	3,419,369	-	805,878	4,225,247	3,694,516	4,433,988
Electrical Installation	4,568,041	-	-	4,568,041	1,911,733	-	480,792	2,392,525	2,175,516	2,656,308
Office Equipment	510,923	145,628	-	656,551	167,420	-	66,211	233,631	422,921	343,504
Office Equipment - Imp	838,895	-	-	838,895	221,502	-	85,879	307,382	531,513	617,392
Canteen Equipment	61,040	-	-	61,040	23,877	-	5,169	29,046	31,994	37,163
Motor & Borewell	99,794	-	-	99,794	50,947	-	6,795	57,742	42,052	48,847
Vehicles	2,129,383	702,000	284,972	2,546,411	1,211,382	241,674	267,599	1,237,306	1,309,105	918,001
Xerox Machine - Imp	195,685	-	-	195,685	74,522	-	16,854	91,375	104,310	121,163
Software	11,134,473	244,340	-	11,378,813	5,762,922	-	2,807,946	8,570,868	2,807,945	5,371,551
Library	18,592	-	-	18,592	6,265	-	2,231	8,496	10,096	12,327
Research & Development	1,272,456	-	-	1,272,456	-	-	-	-	1,272,456	1,272,456
	89,011,262	1,210,373	352,572	89,869,063	29,092,870	261,463.00	7,146,911	35,978,318	53,890,745	59,918,392
TOTAL	89,011,262	1,210,373	352,572	89,869,063	29,092,870	261,463.00	7,146,911	35,978,318	53,890,745	59,918,392
Previous Year Total	88,653,160	840,630	482,528	89,011,262	18,793,179	335,418.21	10,635,109	29,092,870	59,918,392	69,859,980

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31-03-2004 (in Rupees)	As at 31-03-2003 (in Rupees)
05. INVESTMENTS		
Long Term Investments in Wholly owned Subsidiary Trade - UnQuoted (at cost) 13, 120 Common stocks of US \$ 100 each of SoftSol Resources Inc., USA	950,748,599	954,482,194
TOTAL	950,748,599	954,482,194
06. CURRENT ASSETS, LOANS AND ADVANCES		
(A) CURRENT ASSETS		
SUNDRY DEBTORS (Unsecured, Considered Good)		
Less than 6 Months	-	-
More than 6 Months	-	-
Cash in Hand	5,853	19,599
BANK BALANCES		
With Scheduled Banks :		
in Current Accounts	12,611,579	24,652,174
in Fixed Deposits	222,433,420	271,298,446
Unclaimed Dividend- Corp. Bank	1,454,586	83,607
TOTAL (A)	236,505,438	296,053,826
(B) LOANS AND ADVANCES		
(Advances recoverable in cash or in kind or for value to be received)		
Advance for Capital Works	112,777	-
Deposits	312,140	329,918
Prepaid Expenditure	389,908	246,000
Intercorporate Loans	1,543,800	-
Deffered tax asset	-	93,370
Advance Income Tax	3,914,651	11,343,802
Tax Deducted At Sources	7,836,554	-
Interest Accured but not due	18,360	146,089
Advance for Expenses	25,000	-
TOTAL (B)	14,153,190	12,159,179
TOTAL (A + B)	250,658,628	308,213,005

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31-03-2004 (in Rupees)	As at 31-03-2003 (in Rupees)
07 CURRENT LIABILITIES & PROVISIONS		
Current Liabilities		
Other Liabilities	787,250	352,748
Provisions		
Provision for Taxation	3,450,000	9,297,521
Provision for Gratuity	96,058	69,230
Unclaimed Dividend	1,454,586	18,628,682
Provision for Tax on Dividend	-	2,386,800
TOTAL	5,787,894	30,734,981
08 MISCELLANEOUS EXPENSES (To the extent not written off)		
Public Issue Expenses	3,483,740	6,967,479
Brokerage & Commission	2,438,839	4,877,679
TOTAL	5,922,579	11,845,158

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

	Current Year (in Rupees)	Previous Year (in Rupees)
09. SOFTWARE EXPORTS		
Onsite	57,617,388	109,091,746
Off Shore	5,764,806	12,904,810
TOTAL	63,382,194	121,996,556
10. OTHER INCOME		
Interest on Fixed Deposits	8,335,229	11,645,973
Interest on Loan	182,027	-
Dividend income from Mutual Funds	3,831,180	-
Short Term Capital Gain	1,318,441	14,469,661
Other Income	17,485	4,660
TOTAL	13,684,362	26,120,294
11. PERSONNEL EXPENSES		
Salaries, Wages	2,067,360	2,585,684
Contribution to PF and other statutory Funds	110,900	92,742
Staff welfare	127,744	113,197
Medical Reimbursement	49,539	177,840
Bonus	17,740	2,740
TOTAL	2,373,283	2,972,203

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

	Current Year (in Rupees)	Previous Year (in Rupees)
12. OPERATING AND ADMINISTRATION EXPENSES		
Rent, Rates & Taxes	397,361	426,368
Repairs & Maintenance		
-On Equipment	37,994	136,335
-Building Maintenance	45,955	120,868
-Others	449,206	698,361
Advertisement	96,744	50,982
Recruitment Expenses	122,740	-
Communication Charges	441,260	185,674
Printing & Stationery	201,263	167,317
S T P I - Service Charges	150,000	100,000
Directors Remuneration		
-Salaries	558,000	480,000
-Gratuity	26,827	23,076
-Provident Fund	57,600	57,600
Sitting Fee	54,000	55,000
Auditors Remuneration		
-Audit Fee	30,000	30,000
-Tax Audit	10,000	10,000
-Other Services	10,000	10,000
-Incidental Exp.	5,000	-
Legal & Professional Services	418,307	998,594
Travelling expenses		
-Director's	617,171	689,519
-Others	118,437	48,432
On Site Expenses	48,113,330	75,101,391
General Expenses	20,262	17,662
Electricity Charges	638,013	820,064
Conveyance	232,183	503,307
Books & Periodicals	19,009	14,354
Business Promotion	93,169	32,769
Security Service Charges	214,528	209,400
Loss from Investment from Mutual Funds	85,300	-
Soft Link Charges	941,638	538,085
Donations	1,116	-
Training Expenses	-	50,750
Registration & Filing Fee	1,000	1,475
ISO Expenses	38,391	74,842
Insurance	246,463	129,355
Loss on sale of Assets	-	17,835
TOTAL	54,492,267	81,799,415

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

	Current Year (in Rupees)	Previous Year (in Rupees)
13. FINANCIAL CHARGES		
Bank Charges	417,240	365,706
TOTAL	417,240	365,706

SCHEDULE – 14 : Statement of Significant Accounting policies and Notes forming part of the accounts for the year ended March 31, 2004

I. Significant Accounting Policies

System of Accounting

The financial statements are prepared on historical cost convention, in accordance with Indian Generally Accepted Accounting Principles (GAAP), the accounting standards issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956 as adopted consistently by the company.

The company follows the mercantile system of accounting and recognizes income and expenditure on accrual basis including provisions, adjustments for committed obligations and amounts determines as payable or receivable during the period.

Fixed Assets

Fixed Assets are accounted at cost of acquisition inclusive of inward freight, duties and taxes, and incidentals related to acquisitions.

Capital Work-in-Progress

Advances paid towards the acquisition of the fixed assets, and the cost of the assets not put to use before the year end are disclosed under capital work-in-progress.

Depreciation

Depreciation is provided on the Written Down Value Method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956.

Prior Period Adjustments

Income and Expenditure relating to prior period exceeding Rs. 5,000/- in each case is accounted under prior period.

Investments

Long term Investments are valued at cost after deducting, if any, in cases where the fall in the market value has been considered of permanent nature.

Foreign currency transactions

- a) Sales made to clients outside India and realization deposited into foreign currency bank accounts are accounted for on the basis of the exchange rate as on the date of the transaction. Adjustments are made for any variations in the sales proceeds on conversion into Indian currency upon actual receipt.

- b) Expenditure in foreign currency is accounted at the exchange rate prevalent when such expenditure is incurred. Disbursements made out of foreign currency bank accounts are reported at a rate prevailing on the date of disbursement.
- c) Current Assets and Current liabilities denominated in foreign currency are translated at the exchange rate prevalent at the date of balance sheet. The resulting difference is accounted for in the Profit and Loss account.
- d) Other liabilities denominated in foreign currency are translated at the date of the balance sheet. The resulting difference is adjusted in the relevant account.
- e) Net foreign exchange difference on foreign currency transactions are recognized in the profit and loss account during the year.

Employee Retirement benefits

Company's contribution to Provident fund and Employee State Insurance funds is charged to profit and loss account. Gratuity & leave encashment benefits at the time of retirement are charged to on the basis of actuarial valuation.

Income Tax

Provision is made for income tax on Taxable Income basis, under the tax payable method, based on the tax liability as computed after taking credit for allowances, prepaid taxes and exemptions.

II. Notes on Accounts

Managerial Remuneration

Managerial Remuneration paid to Whole-Time Director

	During the year ended 31-03-2004 (in Rs.)	During the year ended 31-03-2003 (in Rs.)
Salaries & Other Allowances	5,58,000.00	4,80,000.00
Provident Fund	57,600.00	57,600.00
Gratuity	27,692.00	23,076.00

No computation of profit under section 350 of the Companies Act, 1956 has been given, since no commission is paid to Directors.

Dues to Small Scale Units

There are no SSI units whom an amount in excess of Rs. 1.00 Lakh each is due for more than 30 days as at 31-03-2004.

Foreign Exchange Earnings

Foreign exchange of an amount of Rs. 6,33,82,193/- is earned during the year ended 31-03-2004. Foreign exchange of an amount of Rs. 12,19,96,556/- was earned during the corresponding previous year ended 31-03-2003.

Transactions in Foreign Exchange

	31-03-2004 (in Rs.)	31-03-2003 (Rs.)
Imports on CIF basis		
-- Capital Foods	NIL	2,83,074
-- Others	NIL	7,51,06,233
Equity Dividend	NIL	1,21,33,959
Investments	NIL	6,04,55,000

Deferred Tax:

Due to the fiscal concession/exemptions available to the company as per the prevailing provisions of the Income Tax Act, 1961 and taking into account all timing differences those originated up to the year ended 31st March 2004 would result deferred tax asset only. Hence the directors of the company are of the opinion that no provision is necessary for the deferred tax asset as on 31st March 2004 as per Accounting Standard 22 issued by the Institute of Chartered Accountants of India.

Segment Reporting:

Due to only one source of revenue from software exports, which are being made to company's 100% owned subsidiary company in USA. Moreover the other income does not exceed 10% of total revenue for the year ended on 31st March 2004. Hence the directors of the company are of the opinion, that only one segment exists therefore segment reporting is not required to the company as per Accounting Standard 17 issued by the Institute of Chartered Accountants of India.

Related Party Disclosures

SoftSol Technologies Inc, USA (STI)

SoftSol Technologies Inc., (STI) holds 47.64% of the total shareholding of SoftSol India Limited. However there have been no transactions between SIL & STI during the financial year ended 31-03-2004 and in the corresponding previous year.

SoftSol Resources Inc., USA (SRI)

SoftSol India Limited holds 100% shareholding of SRI and hence SRI is a wholly owned subsidiary of SIL. The following are transactions of the company with the SRI as of 31-03-2004 :

	31-03-2004 (in Rs.)	31-03-2003 (in Rs.)
Sales	6,33,82,193	12,19,96,556
Onsite Expenditure	4,81,13,330	7,51,01,391
Investment	NIL	6,04,55,000

No Loans and Advances to Subsidiary company have been made in the current financial year.

Income Tax Liability

Demand for an amount of Rs. 1,82,38,564/- has been made by the Income tax department against the profit earned during the financial year ended 31-03-2001. No provision is made in the current financial year as the matter is pending before the Income Tax Tribunal for adjudication.

Earnings per Share

- a) Net Profit of Rs. 32,64,276/- is used as the numerators in calculating basics and diluted earnings per share.
- b) Weighted number of 1,86,27,608 shares of nominal value of Rs. 10 each outstanding at the end of the financial year used as the denominator in calculating basic and diluted earnings per share.

Issue Expenses

Public Issue expenses will be amortized over a period of 5 years i.e. up to March 2005. Provision for writing off one-fifth of the Public Issue expenditure to an amount of Rs. 59,22,579 /- is provided at the end of this financial year.

Share Capital

Variation in Share Capital is due to rectification of faulty conversion of partly paid-up shares in to fully paid-up shares.

Grouping

Previous years figures have been re-grouped wherever necessary to confirm to the current years figures.

For Balarami & Nagarjuna
Chartered Accountants

Sd./-
(G. Pulla Reddy)
Partner

Place : Hyderabad
Date : 29-06-2004

Sd/-
(M. Bhaskara Rao)
Whole - Time Director

Sd/-
(Anil Kumar Singh)
Company Secretary

For and on behalf of the Board
of SoftSol India Limited

Sd/-
(Dr. T. Hanuman Chowdary)
Director

Sd/-
(B.S.Srinivasan)
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2004

	Year ended 31-03-2004 (Rs. in Lakhs)	Year ended 31-03-2003 (Rs. in Lakhs)
A CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before Tax and Extraordinary Items	67.14	464.22
Adjustments for :		
Depreciation	71.47	106.35
Interest ,Dividend etc., received	(136.67)	(267.11)
Preliminary Expenses W/off	59.23	59.23
Loss from Sale of Asset	-	0.18
Loss from Sale of Mutual Funds	0.85	-
Profit on sale of assets	(0.17)	-
Operating Profit before Working Capital changes	61.85	362.87
Adjustments for Working Capital:		
Receivables		610.68
Current Liabilities	(19.25)	(1.18)
Loans & Advances	(21.22)	(1.08)
Net Cash flow from Operating Activities	21.38	971.29
B CASH FLOW FROM INVESTING ACTIVITIES :		
Interest , Dividend etc., received	137.09	267.11
Purchase of Fixed Assets	(15.31)	(7.80)
Sale of Fixed Assets	1.09	1.30
Income Tax Paid	(92.98)	(92.98)
Investments (Foreign exchange fluctuation)	37.34	(604.55)
Net Cash flow from Investing Activities	67.23	(436.92)
C CASH FLOW FROM FINANCING ACTIVITIES :		
Proceeds from Share Premium		3.68
Unsecured Loan	(512.35)	(515.95)
Dividend Paid	(171.74)	(184.85)
Net Cash flow from Financing Activities	(684.09)	(697.12)
Net Increase in Cash and Cash Equivalents	(595.48)	(162.75)
Opening Cash and Cash Equivalents	2,960.54	3,123.29
Closing Cash and Cash Equivalents	2,365.05	2,960.54
	(595.48)	(162.75)

For Balarami & Nagarjuna
Chartered Accountants

Sd./-
(G. Pulla Reddy)
Partner

Place : Hyderabad
Date : 29-06-2004

Sd./-
(M. Bhaskara Rao)
Whole - Time Director

Sd./-
(Anil Kumar Singh)
Company Secretary

For and on behalf of the Board
of SoftSol India Limited

Sd./-
(Dr. T. Hanuman Chowdary)
Director

Sd./-
(B.S.Srinivasan)
Director

BALANCE SHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE
SCHEDULE VI, PART IV, THE COMPANIES ACT, 1956.

I. Registration Details:

Registration No. 11771 State Code: 01 Balance Sheet Date: 31.03.2004

II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue:	NIL	Rights Issue:	NIL
Bonus Issue:	NIL	Private Placement:	NIL

III. Position of Mobilization and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities:	1255808	Total Assets:	1255808
Sources of Funds			
Paid up Capital:	190416	Reserves & Surplus:	1022002
Secured Loans:	Nil	Unsecured Loans:	43390
Application of Funds:			
Net Fixed Assets:	54267	Investments:	950749
Net Current Assets:	244870	Misc. Expenditure:	5922
Accumulated Losses:	Nil		

IV. Performance of the Company (Amount in Rs. Thousands)

Turnover:	63382	Total Expenditure:	57282
Profit/Loss before Tax:	6714	Profit/Loss after Tax:	3264
Earning per Share:	0.18	Dividend Rate:	Nil

V. Generic Names of Three Principle products/Services of Company

(As per monetary Terms)

Item Code No. (ITC Code):	N.A
Product Description:	Software Development

Place :Hyderabad
Date : 29-06-2004

For and on behalf of the Board
Sd/-
(Bhaskara Rao Madala)
Whole-time Director

STATEMENT PURSUANT TO SECTION 212(E) OF THE COMPANIES ACT, 1956

Name of the Subsidiary Company	SoftSol Resources Inc., USA
1. Financial Year of the Subsidiary ended on	December 31, 2003
2. Shares of Subsidiary Company held on the above date and extent of holding	
i) Number of Shares	13,120 Ordinary Shares of USD 100 each
ii) Extent of holding	100%
3. Net Aggregate Amount of Profits / (Losses) of the Subsidiary for the above financial year so far as they concern Members of SoftSol India Limited	
i) Dealt within the Accounts of SoftSol India Limited	Nil
ii) Not Dealt within the Accounts of SoftSol India Limited	USD 42,849
4. Net Aggregate Amount of Profits / (Losses) of the Subsidiary for the previous financial year so far as they concern Members of SoftSol India Limited	
i) Dealt withing the Accounts of SoftSol India Limited	Nil
ii) Not Dealt within the Accounts of SoftSol India Limited	USD 568,625

Place : Hyderabad
Date : 29-06-2004

Sd/-
(M. Bhaskara Rao)
Whole - Time Director

Sd/-
(Anil Kumar Singh)
Company Secretary

For and on behalf of the Board
of SoftSol India Limited

Sd/-
(Dr. T. Hanuman Chowdary)
Director

Sd/-
(B.S.Srinivasan)
Director

SOFTSOL RESOURCES INC., USA

BOARD OF DIRECTORS

Mr. Srinivasa Rao Madala President & CEO
Dr. Durga V.L.K. Madala Director

REGISTERED OFFICE

48383, Fremont Blvd,
Suite No. 116, Fremont,
California - 94538.
Tel No. (510) 824-2000,
Web site : www.softsolusa.com

AUDITORS

The Chugh Firm
An Accountancy Corporation
California, USA.
Website : www.chugh.com

BOARD OF DIRECTOR'S REPORT 2003

To The Shareholders of SoftSol Resources, Inc.,

Dear Members

Your Directors take pleasure in presenting their report for the financial year 2003.

The Financial Highlights :

Particulars	(USD in 000's)	
	2003	2002
Total Revenue	9,413	7,543
Other Income	83	81
Total Operating Expense	9,405	7,478
Provision for Taxation	48	52
Net Profit	43	91

Appreciation :

The Board places on record its thanks to Management, associates, vendors and other service providers for their continued commitment and support to the company.

Sd/-

Srinivasa Rao Madala
President and CEO

INDEPENDENT AUDITORS' REPORT

To,

The Stockholders and Board of Directors,

SoftSol Resources, Inc.

We have audited the accompanying balance Sheet of SoftSol Resources, Inc., as of December 31, 2003 and the related statements of income, retained earnings and cash flow for the year then ended. These financial statements are the responsibilities of the Company's management. Our Responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in United States of America. Those standards required 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 financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of SoftSol Resources Inc., as of December 31, 2003, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States. The information included in the accompanying Schedules 1 to 4 are presented only for supplementary analysis purpose.

Sd/-

The Shugh Firm

May 19, 2004

BALANCE SHEET AS OF DECEMBER 31, 2003

	AS OF 31-12-2003 (in USD)	AS OF 31-12-2003 (in Rs.)	AS OF 31-02-2002 (in USD)
(USD = 43.39)			
Assets			
Current Assets			
Cash and Cash Equivalents	381,007	16,531,894	1,046,685
Accounts Receivable	1,691,485	73,393,534	1,344,783
Less: Allowance for doubtful Accounts	(89,629)	(3,889,002)	(60,756)
Employee Advances	-	-	20,708
Prepaid Insurance	31,704	1,375,637	7,294
Prepaid State Income tax	1,249	54,194	-
Prepaid Federal Income Taxes	25,628	1,111,999	9,776
Prepaid Rent	11,260	488,571	1,350
Employee Travel Advances	14,788	641,651	6,788
Total Current Assets	2,067,492	89,708,478	2,376,628
Property & Equipment			
Property and Equipment	560,138	24,304,388	417,282
Less: Accumulated Depreciation	(312,233)	(13,547,789)	(268,896)
Total Property & Equipment	247,905	10,756,598	148,386
Other Assets			
Security Deposits	203,322	8,822,142	14,800
Refundable Deposits	14,032	608,848	-
Total Other Assets	217,354	9,430,990	14,800
Total Assets	2,532,751	109,896,066	2,539,814
Liabilities and Stock Holders equity			
Current Liabilities			
Account Payable-Trade	427,643	18,555,430	285,181
Account Payable-Others	-	-	38,500
Total Current Liabilities	427,643	18,555,430	323,681
Other Current Liabilities			
See Schedule-1-Statement of Other Current Liabilities	181,634	7,881,099	335,509
Total Liabilities	609,277	26,436,529	659,190
Stockholders Equity			
Common Stock, \$ 100 par, 1,000,000 shares authorised, 13,120 shares issued and outstanding	1,312,000	56,927,680	1,312,000
Retained Earnings	611,474	26,531,857	568,624
Total Stockholders Equity	1,923,474	83,459,537	1,880,624
Total Liabilities and Stockholders Equity	2,532,751	109,896,066	2,539,814

STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2003

	Year ended 31-12-2003 (in USD)	Year ended 31-12-2003 (in Rs.)	Year ended 31-02-2002 (in USD)
	(USD = 45.40)		
Revenue			
Sales	-	-	7,543,453
Consulting Income	9,340,773	424,071,094	-
Computer/Products	72,567	3,294,542	-
Total Revenue	9,413,340	427,365,636	7,543,453
Cost of Sales			
See Schedule 2-Statement of Cost of Sales	7,567,845	343,580,163	6,104,140
Gross Profit	1,845,495	83,785,473	1,439,313
Operating Expenses			
Selling Expenses			
See Schedule 3-Statement of Selling expenses	709,451	32,209,076	417,276
General & Administrative Expenses			
See Schedule 4-Statement of G & A Expenses	1,128,223	51,221,324	956,303
Total operating expenses	1,837,674	83,430,400	1,373,579
Income from operations	7,821	355,073	65,734
Other Income			
Interest Income	1,007	45,718	47,469
Dividend Income	908	41,223	4,271
Refunds & Rebates Received	-	-	407
Rental Income	43,000	1,952,200	-
Other Income	33,817	1,535,292	28,386
Gain on Sale of Auto	4,000	181,600	-
Total Other Income	82,732	3,756,033	80,533
Other Expenses	-	-	3,750
Income from Operations before Income Taxes	90,553	4,111,106	142,517
Provision for Income Taxes			
Federal Income Tax-Current	29,148	1,323,319	41,511
State Income Tax-Current	14,304	649,402	12,300
Federal Income Tax-Deferred	3,118	141,557	(1,392)
State Income Tax-Deferred	1,134	51,484	(506)
Total Provision for Income Tax	47,704	2,165,762	51,913
Net Income	42,849	1,945,344	90,604
Earnings per Share (13,120 shares)	3.27	148.46	32.05
Statement of Retained Earnings			
Retained Earnings, January 1, 2003	568,625	24,672,639	478,020
Net Income	42,849	1,859,218	90,604
Retained Earnings, December 31, 2003	611,474	26,531,857	568,624

Schedule - 1

Statement of other current liabilities

	AS OF 31-12-2003 (in USD)	AS OF 31-12-2003 (in Rs.)	AS OF 31-02-2002 (in USD)
Accrued vacation leave	77,993	3,384,117	81,728
Health Insurance Premium Payable	3,789	164,404	2,367
Payroll Taxes Payable	49,953	2,167,461	45,136
Flexible Spending Payable	12,913	560,295	12,245
State Income Tax Payable	753	32,672	4,800
Deferred Tax Liability	36,233	1,572,150	31,981
Loan from STI	-	-	60,000
Accrued Wages & Salaries	-	-	97,252
Total Other Current Liabilities	181,634	7,881,099	335,509

Schedule-2

Statement of Cost of Sales

Consulting Outsourced	2,979,742	135,280,287	2,251,783
Consulting Outsourced-SIL	611,982	27,783,983	-
Salaries & Wages -Consultants	3,256,826	147,859,900	3,225,453
Taxes-Payroll-Consultants	237,583	10,786,268	226,106
Per Diem - consultant	226,232	10,270,933	204,029
Insurance Medical & Dental	117,137	5,318,020	96,623
Legal & Immigration-Consultants	49,371	2,241,443	26,705
Moving Expenses-Consultants	911	41,359	1,185
Professional Development	8,084	367,014	2,475
Travel	17,277	784,376	-
Purchases	62,700	2,846,580	47,291
Recruiting	-	-	22,490
Total Cost of Sales	7,567,845	343,580,163	6,104,140

Schedule-3

Statement of Selling Expenses

Advertising & Promotional	126	5,720	1,369
Salaries & Wages	603,459	27,397,039	387,099
Taxes-Payroll	46,443	2,108,512	28,808
Insurance Medical & Dental	50,811	2,306,820	-
Per Diem/Out of Station Allowances	8,612	390,985	-
Total Selling Expenses	709,451	32,209,076	417,276

Schedule - 4

General & Administrative Expenses

	AS OF 31-12-2003 (in USD)	AS OF 31-12-2003 (in Rs.)	AS OF 31-02-2002 (in USD)
Auto Expenses	19,244	873,678	22,026
Bad debt Expenses	28,915	1,312,741	53,274
Bank Charges	2,753	124,986	1,330
Charitable Contribution	1,250	56,750	22,663
Depreciation	62,432	2,834,413	50,654
Dues & Publication	13,112	595,285	11,231
Equipment Rental	1,828	82,991	6,769
Fines & Penalties	3,245	147,323	-
Frieght & Postage	8,716	395,706	6,007
Internet Access & Web Hosting	8,080	366,832	31,409
Insurance	40,148	1,822,719	51,980
Legal Fees	7,260	329,604	3,514
Meals & Entertainment	6,116	277,666	9,806
Miscellaneous Expenses	21,077	956,896	2,050
Moving Expenses	2,429	110,276	-
Office Expenses	99,427	4,513,986	24,721
Officers Salaries & Wages	24,185	1,097,999	158,274
Outside Services	28,834	1,309,064	20,349
Per Diem/Out of Station Allowances	172,852	7,847,481	-
Professional Fees	79,344	3,602,218	98,625
Professional Development	9,582	435,023	619
Recruiting	21,964	997,166	4,849
Rent	137,487	6,241,910	143,759
Salaries & Wages	136,646	6,203,728	112,567
Supplies	25,522	1,158,698	21,576
Taxes, Permits & Licenses	8,505	386,127	8,293
Taxes Payroll	37,737	1,713,260	22,869
Taxes-Property	1,150	52,210	771
Taxes-State Prior Year	2,728	123,851	9,935
Telephone	37,478	1,701,501	24,994
Travel	78,177	3,549,236	11,765
Employees Benefits	-	-	90
Interest & Finance charges	-	-	1,914
Repairs & Manintenance	-	-	4,575
Staff welfare	-	-	662
Utilites	-	-	12,383
Total General & Administrative Expenses	1,128,223	51,221,324	956,303

STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2003

	Year ended 31-12-2003 (in USD)	Year ended 31-12-2003 (in Rs.)
Cash Flows from Operating Activities		
Net Income	42,849	1,859,218
Adjustments to reconcile Net Income to Net Cash provided by Operations :		
Depreciation	62,432	2,708,924
Provision for Bad and Doubtful Accounts	28,915	1,254,622
Changes in Operating Assets & Liabilities:		
Increase in Accounts Receivable	(346,747)	(15,045,352)
Increase in Pre paid Expenses	(51,420)	(2,231,114)
Decrease in Employee Advances	12,708	551,400
Decrease in Deposits	768	33,323
Increase in Accounts Payable	103,962	4,510,911
Decrease in Accrued Liabilities	(94,080)	(4,082,131)
Decrease in Income Tax Payable	(4,046)	(175,556)
Decrease in Other Current Liabilities	(60,000)	(2,603,400)
Deferred Tax Liabilities	4,252	184,494
Net Cash Provided by (used in) Operating Activities	(300,407)	(13,034,659)
Cash Flow from Investing Activities :		
Purchase of Property & Equipment	(161,949)	(7,026,967)
Investment in Stock	(203,322)	(8,822,142)
Net Cash provided by(used in) Investing Activities	(365,271)	(15,849,109)
Cash Flow from Financing Activities :		
Net Cash Provided by (used in) Financing Activities	-	
Net Increase(Decrease) in Cash & Cash Equivalents	(665,678)	(28,883,768)
Cash & Cash Equivalents at the Beginning of the Year	1,046,685	45,415,662
Cash & Cash Equivalents at the end of the Year	381,007	16,531,894
Supplementary Disclosure		
Interest paid during the Year	-	
Income Tax paid during the Year	41,915	1,818,691

NOTES TO FINANCIAL STATEMENTS

Note 1- Description of Business

SoftSol Resources, Inc. (the "Company") was incorporated in the state of California on January 11, 1993. It is a provider of E-commerce, network technology, internet infrastructure and other special technology areas. Its IT services include application development, system integration, IT consulting and staffing, IT project management, domestic and offshore outsourcing. SoftSol has diverse client-based ranging from large customers to small high-tech start up companies. The Company's vision is to create a global enterprise by taking a leading role in the Information Technology to provide highly competent and innovative software solutions.

Note 2 – Summary of Significant Accounting Policies

Accounting Method

The Company uses the accrual method of accounting for both financial statements and income tax reporting.

Use of Estimates

The preparation of financial statements and related disclosures in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the period reported. Actual results could differ from those estimates. Estimates are used in accounting for, among other things, long-term contracts, allowances for uncollectible receivables, depreciation, employee benefits, taxes, restructuring reserves and contingencies. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the Financial Statements in the period they are determined to be necessary.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash in checking accounts and money market accounts. All short-term investments with an original maturity of 90 days or less are considered cash equivalents. Occasionally, the Company has cash deposited in a financial institution in excess of federally insured limits.

Accounts Receivable

The company uses the Aging of the Accounts Receivable method for valuation of allowance for bad debts. Accordingly, the Company has written off all accounts that are deemed uncollectible. Therefore, Accounts Receivable represents the net realizable value.

Property and Equipment

All assets are stated at cost. Depreciation is provided principally on a straight-line method over the estimated useful lives of the assets. Estimated useful lives are as follows:

Furniture & Fixtures	7 years
Office Equipment	5 years
Automobile	5 years

The cost of significant additions and replacement of components is capitalized and depreciated while expenditures for maintenance and repairs are charged to expense as incurred. When assets are sold or otherwise disposed

off, the cost and related depreciation are removed from the books and the resulting gain or loss is reflected in the determination of net income or loss. Depreciation expense for the years 2003 and 2002 is \$62,431 and \$50,654, respectively.

Investment

The Company accounts for investment in private equity securities of less than 20% owned company using the cost method.

Revenue Recognition

The Company derives revenues from consulting projects, which are billed by actual time and expenses incurred. Revenues are recognized on the accrual basis as services are rendered.

Income Taxes

The Company accounts for income taxes in accordance with statement of Financial Accounting Standards No. 109 “*Accounting for Income Taxes*”, which requires an asset and liability approach to financial accounting and reporting of income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in future based on the enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized.

Earnings per share

In accordance with the provisions of SFAS 128, “*Earnings per share*”, basic earnings per share are computed on the basis of the weighted average number of shares outstanding during the period. There are no dilutive securities, both the basis and dilutive earnings per share amount are the same.

Note 3 – Related Party Transactions

The Company is wholly owned by SoftSol India Limited (also known as SIL India), an Indian based company. Mr Srinivas Rao Madala , President of the Company , also owns Argonaut General Staffing, a Nevada Corporation.

The Company has entered into professional services agreement with SIL India and Argonaut General Staffing. The following are transactions of the Company with these related parties of the year ended December 31, 2003:

Argonaut General Staffing	Amount	%
Rental Income	\$ 27,000	0.75%
SoftSol India Limited	Amount	%
Consulting Outsourced	\$611,982	17

Also, during the year the Company paid off in full a total loan of \$98,500 to SoftSol Technologies, Inc (also known as STI and formerly Medsoft, Inc.), a Nevada Corporation. STI is owned by Mrs. Durga Madala, spouse of Mr. Srinivasa Rao Madala. The secretary of STI is Mr. Madala.

Note 4 – Commitments and Contingencies

The Company had entered in agreement with Ciena Corporation to sublease 11,730 square feet office located at 48383 Fremont Boulevard, Fremont, California on April 15, 2003. The sublease had initial terms of 5 years, expiring on April 30, 2008.

The future minimum lease payments under this lease are as follows:

Year	Amount
2004	\$ 98,532
2005	101,347
2006	104,632
2007	107,447

The Company also leases apartments for use by employees assigned in different locations. These leases are normally on short-term basis depending on the length of the project.

Rent expense totaled \$137,487 and 143,759 for years 2003 and 2002, respectively.

Note 5 – Concentration of Credit risk

The majority of cash and cash equivalents are maintained with one major financial institution in the United States. Deposits with this bank exceed the amount of the \$100,000 Federal Deposit Insurance Corporation (FDIC) insurance provided on such deposits.

The Company performs ongoing credit evaluations of its customers and maintains allowances for potential uncollectible accounts as deemed necessary. The company generally does not require collateral to secure its accounts receivable. It estimates credit losses based on management's evaluation of historical experience and current industry trends. Although the Company expects to collect amounts due, actual collections may differ from the estimated amounts.

The Company's sales to its major customer, Cisco totaled \$5.44 million that accounts for 58% of company's total revenue for the year. Accounts Receivable from Cisco as of December 31, 2003 is \$1,104,065, which is 65% of total balance of account.

Additionally, the Company outsourced 17% of its subcontract work to SoftSol India Limited, its 100% foreign stockholder. The inability of this Indian company to fulfill its contract with the company could materially impact future operating results.

Note 6 – Litigation

The Company accounts for litigation losses in accordance with Statement of Financial Accounting Standards (SFAS) No.5, "Accounting for Contingencies." Under SFAS No.5, loss contingency provisions are recorded for probable losses at management's best estimate of a loss, or when a best estimate cannot be made, a minimum loss contingency amount is recorded.

On December 12, 2003, the Company has reached a settlement agreement and general release with Ajilon LLC on the law suit filed in the federal court in Maryland. The case is relating to disputes of payments under the

contract terms. They have agreed that the company will receive 75% of any bankruptcy distribution Ajilon will receive from WorldCom and in return the company will pay a one-time payment of \$1,500 at the time Ajilon makes payment to them.

Note 7 – Employee Travel Advances

The advances given to employees are for travel related expenses to which the employees will support these expenses with receipts and any amount that cannot be sustained by receipts will be refunded to the Company.

Note 8 – Investment

Investment includes private equity investment in Vianeta Communications, a privately held company. The investment is a Series A Preferred Stock received as payment for consulting services rendered by the Company during the year. It is accounted for using cost method, as the Company’s ownership interest is less than 20% Management believes that the carrying value of the investment approximated its fair value as on December 31, 2003, and therefore, no impairment charges were required.

Note 9 – Income Taxes

The company accounts for income taxes under the provisions of Statement of Financial Accounting Standards No.109, “Accounting for Income Taxes,” (SFAS 109). Under SFAS 109, deferred taxes are required to be classified based on the financial statement classification of the related assets and liabilities which give rise to temporary differences. Deferred taxes result from temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities.

All of the income before tax as in the Statement of Operations for the year ended December 31,2003 is derived in the United States.

The provision for income taxes consisted of the following:

Year Ended	2003
Federal:	
Current	\$ 29,148
Deferred	\$ 3,118
State:	
Current	\$ 14,304
Deferred	\$ 1,134
Total Provision for income tax	\$ 47,704

Significant components of the Company’s deferred tax assets and liabilities at December 31, 2003, are as follows:

Deferred Tax Assets

Charitable Contribution in Excess of GAAP	\$ 13,181
Depreciation Expense in Excess of GAAP	\$ 19,108
State Taxes Paid in 2002	\$ 10,800

Deferred Tax Liability

Bad Debts Expense in Excess of GAAP	\$ (28,915)
-------------------------------------	-------------

Note 10 – Accrued Payroll Tax/Vacation Leave

Payroll Tax Expense of \$49,953 for the pay period December 16 to 31, 2003 was accrued.

For the year 2003, the employees are no longer entitled to paid vacation leave. Accrued Vacation balance of \$77,993 as of December 31, 2003 is the unused vacation leave accumulated by employees in previous years.

Note 11 – Stockholder's Equity

The Company is authorized to issue up to 1,000,000 shares of its common stock, of which 13,120 shares were issued and outstanding. SoftSol India Limited owns all these 13,120 shares.

Note 12 – Employee Pension Plan

There is no pension plan for the employees of the Company.

Note 13 - Flexible Spending

The Company has a voluntary flexible spending plan wherein a certain amount of money is deducted from employee's payroll every month. Contributed amount will be used to reimburse the employees for their medical expenses and childcare expenses. Beginning April 2003, employees stopped contributing to this plan.

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

Auditor's Report on Consolidated Financial Statements

To,
The Shareholders of
SOFTSOL INDIA LIMITED
Hyderabad.

We have examined the attached Consolidated Balance Sheet of M/s SoftSol India Limited ("the Company") and its subsidiary as at 31st March,2004, and the Consolidated Profit and Loss Account for the year then ended annexed thereto and the Consolidated Cash Flow Statement for the year ended on that date. 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.

We conducted our audit in accordance with generally accepted auditing standards in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatements. 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 financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of the subsidiary, whose financial statements reflect total assets of USD 2,532,751 as at 31st Decemeber,2003 and total revenues of USD 9,413,340 for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, is so far as it relates to the amounts included in respect of this subsidiary, is based solely on the report of the other auditors.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its subsidiaries included in the consolidated financial statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Company and its subsidiary, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India.

- (a) In the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Company and its subsidiary as at 31st March,2004;
- (b) In the case of the Consolidated Profit & Loss account of the profit of the company and its subsidiary for the year then ended.
- (c) In the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Company and its subsidiary for the year then ended.

For **Balarami & Nagarjuna**
Chartered Accountants
Sd/-
(**G. Pulla Reddy**)
Partner.
M.M.No. 201199

Place : Hyderabad
Date : 29-06-2004

CONSOLIDATED BALANCE SHEET AS AT 31st MARCH'2004

	SCHEDULE No.	AS AT 31-03-2004 (in Rupees)	AS AT 31-03-2003 (in Rupees)
I SOURCE OF FUNDS			
1. Share Holder's Funds			
(a) Share Capital	01	190,416,190	190,421,810
(b) Reserves and Surplus	02	1,048,534,509	1,049,967,655
2. Loan Funds			
Unsecured Loan	03	43,390,000	94,625,000
TOTAL		<u>1,282,340,669</u>	<u>1,335,014,465</u>
II APPLICATION OF FUNDS			
1. Fixed Assets			
a) Gross Block	04	1,007,994,370	1,005,592,549
Less: Depreciation		<u>49,526,108</u>	<u>42,006,930</u>
b) Net Block		958,468,262	963,585,619
Add: Capital Work In Progress		<u>376,184</u>	<u>55,798</u>
TOTAL		958,844,446	963,641,417
2. Investments		8,822,142	-
3. Other asset		-	700,221
4. Current Assets, Loans & Advances	05	340,975,955	411,453,050
Less : Current Liabilities & Provisions	06	<u>32,224,423</u>	<u>52,625,381</u>
Net Current Assets		308,751,532	358,827,669
5. Miscellaneous expenses	07	5,922,579	11,845,158
(to the extent not written off or adjusted)			
TOTAL		<u>1,282,340,699</u>	<u>1,335,014,465</u>
NOTES ON ACCOUNTS	12		

For Balarami & Nagarjuna
Chartered Accountants
sd/-
(G.Pulla Reddy)
Partner

For and on behalf of the Board
of SoftSol India Limited
Sd/-
(Bhaskara Rao Madala)
Whole-time Director

Place : Hyderabad
Date : 29-06-2004

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH'2004

	SCHEDULE No.	Current Year 31-03-2004 (in Rupees)	Previous Year 31-03-2003 (in Rupees)
INCOME			
Sales		-	362,283,758
Consulting Income		424,071,094	-
Computers / Products		3,294,542	-
Other Income	08	17,440,395	29,988,010
TOTAL INCOME (A)		444,806,031	392,271,768
EXPENDITURE			
Personnel Expenses	09	227,957,030	218,575,611
Operating & Administration Expenses	10	189,663,616	125,454,970
Financial Charges	11	542,226	521,522
TOTAL EXPENDITURE (B)		418,162,872	344,552,103
PROFIT BEFORE DEPRECIATION & TAX (A-B)		26,643,159	47,719,665
Depreciation		9,981,324	13,067,823
PROFIT BEFORE TAX		16,661,835	34,651,842
Public Issue Exp. Written Off		5,922,579	5,922,579
NET PROFIT BEFORE TAX		10,739,254	28,729,263
Provision for Taxation		5,615,762	11,697,363
PROFIT FOR THE YEAR		5,123,494	17,031,900
Balance brought forward from previous year		216,366,558	201,765,529
		221,490,052	218,797,429
Increase of Reserves due to Investments in subsidiary		-	21,905,419
Excess previous year's provision for dividend		-	400,961
AMOUNT AVAILABLE FOR APPROPRIATION		221,490,052	241,103,809
APPROPRIATIONS			
Dividend Payable		-	18,628,682
Dividend Tax Payable		-	2,386,800
Transfer to General Reserve		163,214	3,721,769
Balance Carried Forward to Balance Sheet		221,326,838	216,366,558
		221,490,052	241,103,809
NOTES ON ACCOUNTS	12		

For Balarami & Nagarjuna
Chartered Accountants
sd/-
(G.Pulla Reddy)
Partner

Place : Hyderabad
Date : 29-06-2004

For and on behalf of the Board
of SoftSol India Limited
Sd/-
(Bhaskara Rao Madala)
Whole-time Director

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31-03-2004 (in Rupees)	As at 31-03-2003 (in Rupees)
01. SHARE CAPITAL		
Authorised		
50,000,000 Equity Shares of Rs.10/- each	500,000,000	500,000,000
Issued		
19,681,430 Equity Shares of Rs. 10/-each	196,814,300	196,814,300
Subscribed		
19,455,630 Equity shares Rs. 10/- each	194,556,300	194,556,300
Paid Up Capital		
1,86,27,608 Equity shares of Rs.10/- each	186,276,080	186,286,820
28,200 Equity shares of Rs.5/- each partly paid up	141,000	135,880
	186,417,080	186,422,700
Shares Forfeited		
7,99,822 Equity shares of Rs. 5/- each	3,999,110	3,999,110
TOTAL	190,416,190	190,421,810

02. RESERVES AND SURPLUS	Opening Balance 01-04-2003	Additions	Deletions	Closing Balance 31-03-2004
Share Premium Account	757,875,110	5,620	-	757,880,730
General Reserve:	69,163,727	163,214	-	69,326,941
Profit & Loss Account				
Balance as per annexed account	222,928,818	221,326,838	222,928,818	221,326,838
TOTAL	1,049,967,655	221,495,672	222,928,818	1,048,534,509

03. LOAN FUNDS

Unsecured Loan

Payment due towards Acquisition of Shares of Wholly Owned Subsidiary	43,390,000	94,625,000
TOTAL	43,390,000	94,625,000

SCHEDULES FORMING PART OF THE BALANCE SHEET

04. FIXED ASSETS

NAME OF THE ASSETS	GROSS BLOCK AS AT 31-03-2004	ACCUMULATED DEPRECIATION	NET BLOCK AS AT 31-03-2004
Good Will	893,820,919	-	893,820,919
Land	13,918,307	-	13,918,307
Building	29,760,193	6,291,424	23,468,769
Computers	3,090,880	2,759,943	330,937
Computers - Imported	7,912,630	6,837,683	1,074,947
Air Condition System	3,349,255	1,739,228	1,610,027
Generator	785,000	413,779	371,221
Lift	741,985	388,465	353,520
UPS	754,772	394,179	360,593
Furniture & Fixtures	7,919,762	4,225,247	3,694,515
Electrical Installation	4,568,041	2,392,525	2,175,516
Office Equipment	656,551	233,631	422,921
Office Equipment - Imp	838,895	307,382	531,513
Canteen Equipment	61,040	29,046	31,994
Motor & Borewell	99,794	57,742	42,052
Vehicles	2,546,411	1,237,306	1,309,105
Xerox Machine - Imp	195,685	91,375	104,310
Software	11,378,813	8,570,868	2,807,945
Library	18,592	8,496	10,096
Research&Development	1,272,456	-	1,272,456
Subsidiary's asset	24,304,389	13,547,789	10,756,599
TOTAL	1,007,994,370	49,526,108	958,468,262

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31-03-2004 (in Rupees)	As at 31-03-2003 (in Rupees)
05. CURRENT ASSETS, LOANS AND ADVANCES		
(A) CURRENT ASSETS		
Cash and cash equivalents	16,531,894	49,521,310
Accounts receivable	73,393,534	63,625,043
less: allowance for doubtful debts	(3,889,002)	(2,874,558)
Cash in Hand	5,853	19,599
BANK BALANCES		
With Scheduled Banks :		
in Current Accounts	12,611,578	24,652,174
in Fixed Deposits	222,433,420	271,298,446
Unclaim Dividend -Corp.Bank	1,454,586	83,607
TOTAL (A)	322,541,864	406,325,621
(B) LOANS AND ADVANCES		
(Advances recoverable in cash or in kind or for value to be received)		
Deposits	1,033,765	329,918
Prepaid Expenditure	2,254,116	-
Intercorporate Loan	1,543,800	-
Employee Travel Advances	641,651	321,163
Employees Advance	-	979,726
Prepaid state Income Tax	-	-
Prepaid federal Income Taxes	-	462,545
Prepaid rent	-	63,872
Prepaid insurance	-	345,095
Prepaid Expenditure	-	246,000
Advance Income Tax	5,080,844	2,139,651
Tax Deducted at Source	7,836,555	-
Interest Accured but not due	18,360	146,089
Differed tax asset	-	93,370
Advance for Expenses	25,000	-
TOTAL (B)	18,434,091	5,127,429
TOTAL (A + B)	340,975,955	411,453,050
06. CURRENT LIABILITIES & PROVISIONS		
Current Liabilities		
Accounts payable-trade	18,555,430	13,492,616
Accounts payable-others	-	1,821,531
Liabilities for Expenses	7,026,461	-
Other Liabilities	69,737	16,226,522
Provisions		
Provision for Taxation	3,450,000	-
Provision for Gratuity	96,058	69,230
Unclaimed Dividend	1,454,586	18,628,682
Provision for Tax on Dividend	-	2,386,800
Deferred Tax Liability	1,572,150	-
TOTAL	32,224,423	52,625,381

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31-03-2004 (in Rupees)	As at 31-03-2003 (in Rupees)
07. MISCELLANEOUS EXPENSES		
(To the extent not written off)		
Public Issue Expenses	3,483,740	6,967,479
Brokerage & Commission	2,438,839	4,877,679
TOTAL	5,922,579	11,845,158

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

	Current Year (in Rupees)	Previous Year (in Rupees)
08. OTHER INCOME		
Interest on Fixed Deposits	8,380,946	13,925,749
Interest received	182,027	-
Income from Mutual fund	5,190,844	14,469,661
Rental Income	1,952,200	-
Gain on sale of assets	181,600	-
Other Income	1,552,777	1,367,913
Dividend income	-	205,120
Refunds & rebate received	-	19,567
TOTAL	17,440,394	29,988,010
09. PERSONNEL EXPENSES		
Salaries, Wages	2,067,360	2,585,684
Contribution to PF and other statutory Funds	110,900	92,742
Staff welfare	127,743	113,197
Medical Reimbursement	49,539	177,840
Bonus	17,740	2,740
Subsidiary's Personnel expenses	225,583,748	215,603,408
TOTAL	227,957,030	218,575,611

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

	Year ended 31-03-2004 (in Rupees)	Year ended 31-03-2003 (in Rupees)
10. OPERATING AND ADMINISTRATION EXPENSES		
Rent, Rates & Taxes	7,201,459	8,243,028
Consulting Charges	147,795,406	82,434,153
Repairs & Maintenance		
-On Equipment	994,663	136,335
-Building Maintenance	45,955	120,868
-Others	449,206	2,301,015
Advertisement	102,464	116,738
Recruitment Expenses	1,921,942	1,312,997
Communication Charges	2,538,468	1,386,061
Printing & Stationery	201,263	167,317
S T P I - Service Charges	150,000	100,000
Directors Remuneration		
-Salaries	558,000	480,000
-Gratuity	26,827	23,076
-Provident Fund	57,600	57,600
Director's Sitting Fee	54,000	55,000
Auditors Remuneration		
-Audit Fee	30,000	30,000
-Tax Audit	10,000	10,000
-Other Services	10,000	10,000
-Incidental Expenses	5,000	-
Legal & Professional Services	5,659,192	6,881,246
Travelling expenses		
-Director's	617,171	689,519
-Others	4,562,325	2,941,585
General Expenses	9,921,412	3,873,835
Electricity Charges	638,012	820,064
Conveyance	232,183	503,306
Books & Periodicals	614,294	553,736
Business Promotion	93,169	32,769
Security Service Charges	214,528	209,400
Loss from Investment With Mutual Funds	85,300	-
Soft Link Charges	1,308,471	2,046,533
Training Expenses	-	199,355
Donations	57,866	1,088,395
Registration & Filing Fee	1,000	1,475
ISO Expenses	38,391	74,842
Insurance	2,069,182	2,625,774
Bad Debts Written Off	1,312,741	2,558,555
Loss on sale of Assets	-	17,835
Subsidiary's operating expenses	-	-
Loss on exchange fluctuation	86,126	3,352,558
TOTAL	189,663,616	125,454,970
11. FINANCIAL CHARGES		
Bank Charges	542,226	521,521
TOTAL	542,226	521,521

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2004

	Year ended 31-03-2004 (Rs. in Lakhs)	Year ended 31-03-2003 (Rs. in Lakhs)
A CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before Tax and Extraordinary Items	107.39	287.29
Adjustments for :		
Depreciation	99.81	130.68
Interest ,Dividend etc., received	(137.53)	(267.11)
Preliminary Expenses W/off	59.23	59.23
Loss from Sale of Asset	-	0.18
Loss from Sale of Mutual Funds	0.85	-
Profit on sale of assets	(1.82)	-
Operating Profit before Working Capital changes	127.93	210.27
Adjustments for Working Capital:		
Receivables	(87.54)	154.67
Current Liabilities	(66.71)	(20.17)
Loans & Advances	(2.96)	47.53
Net Cash flow from Operating Activities	(29.28)	392.30
B CASH FLOW FROM INVESTING ACTIVITIES :		
Interest , Dividend etc., received	137.96	267.11
Purchase of Fixed Assets	(249.81)	(25.43)
Sale of Fixed Assets	9.73	1.30
Income Tax Paid	(21.66)	(117.90)
Investments	(88.22)	-
Net Cash flow from Investing Activities	(212.00)	125.08
C CASH FLOW FROM FINANCING ACTIVITIES :		
Proceeds from Share Premium	-	3.68
Loan from STI	-	28.39
Unsecured Loan	(512.35)	(515.95)
Dividend Paid	(171.75)	(184.85)
Net Cash flow from Financing Activities	(684.10)	(668.73)
Net Increase in Cash and Cash Equivalents	(925.38)	(151.35)
Opening Cash and Cash Equivalents	3,455.75	3,607.10
Closing Cash and Cash Equivalents	2,530.37	3,455.75
	(925.38)	(151.35)

For Balarami & Nagarjuna
Chartered Accountants
sd/-

(G.Pulla Reddy)
Partner

Place : Hyderabad
Date : 29-06-2004

For and on behalf of the Board
of SoftSol India Limited
Sd/-

(Bhaskara Rao Madala)
Whole-time Director

Schedule – 12 Notes on Accounts

1. Description of Business :

SoftSol India Limited and its consolidated subsidiary (hereinafter referred to as “SoftSol”) are engaged in providing information technology services and software development. SoftSol India Limited was incorporated in the year 1990. SoftSol India operates from its own Offshore development facility located at Hitech City of Hyderabad.

SoftSol Resources Inc., USA a wholly owned subsidiary was incorporated in the state of California on January 11, 1993. SoftSol Resources is a provider of e-commerce, network technology, Internet infrastructure and other special technology areas.

2. Significant Accounting Policies

Principles of consolidation and Basis of Presentation

The consolidated financial statements of SoftSol India and its subsidiary i.e. M/s SoftSol Resources Inc, USA are prepared in accordance with Generally Accepted Accounting Principles applicable in India and as per Accounting standard 21 on Consolidation of Financial Statements issued by the Institute of Chartered Accountants of India to the extent possible in the same Format as that adopted by the parent Company i.e. SoftSol India for its financial statement. All inter company balances and transactions are eliminated for the purpose of consolidation of financial statements as per AS 21.

Use of Estimates

The preparation of the consolidated financial statements in conformity with Indian GAAP requires management to make the estimates and assumptions that affects the reported amounts of assets and liabilities and disclosure of contingent liabilities as of the date of the financial statements and the reported amount of revenues and expenses during the reported period. Actual results differ materially from those estimates.

System of Accounting

- a) Financial statements are based on historical cost.
- b) The company follows the mercantile system of accounting and recognizes income and expenditure on accrual basis including provisions, adjustments for committed obligations and amounts determines as payable or receivable during the period.

Fixed Assets and Depreciation

a) Fixed Assets

Fixed Assets are accounted at cost of acquisition inclusive of inward freight, duties and taxes, and incidentals related to acquisitions.

b) Depreciation

Depreciation is provided on the Written Down value Method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956. However Depreciation on the assets of the subsidiary company are provided on a straight-line Method over the estimated lives of the assets.

Prior Period Adjustments

Income and Expenditure relating to prior period exceeding Rs.5,000 in each case is accounted under prior period.

Foreign Exchange Translation

The accompanying consolidated financial statements are reported in Indian rupees. The Indian rupee is the functional Currency for SoftSol India Limited. As financial statements of SoftSol Resources Inc, USA are reported in USD the amounts of subsidiary are converted into Indian rupees before consolidation. The assets and Liabilities are converted into Indian rupees by using the current exchange rates in effect at the balance sheet date, revenue, costs and expenses are converted by using average exchange rate prevailing during the reporting period and share capital is converted by using the exchange rate at the date of the transaction. Assets and Liabilities of subsidiary denominated in USD are translated at the rates of exchange at the balance sheet and the resultant loss or gain is recognized in the consolidated profit and loss account.

II. Notes on Accounts**Share Capital**

Share Capital of wholly owned subsidiary is deleted.

Reserves and Surplus

Consolidated Profit/ (Loss) for the reporting period is added / (subtracted) to the last year's closing balances as appeared in the holding and subsidiary companies.

Reporting Date and Period

Reporting Date for the holding and subsidiary companies is of 12 months. Reporting date for holding company is March 31, 2004 and subsidiary company is December 31, 2003.

Investments

Investments made in the wholly owned subsidiary is deleted from the consolidated balance sheet.

Goodwill

Goodwill represents the difference in between the value of investments in subsidiary company and value of share capital of subsidiary company as on 31.03.2004.

Income Tax

Provision is made for income tax on Taxable Income basis, under the tax payable method, based on the tax liability as computed after taking credit for allowances, prepaid taxes and exemptions for the purpose of calculating holding company's tax liability. In the case of subsidiary company Income tax expenses is based on pretax financial accounting Income. Deferred tax assets and liabilities are based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in the effect for the year in which the differences are expected to reserve in the case of subsidiary company.

Reclassification

Previous years figures have been re-grouped wherever necessary to confirm to the current years figures.

SOFTSOL INDIA LIMITED

Regd. Off.: Plot No.4, Infocity, Madhapur, Hyderabad - 500 033.
Tel : +91 (40) 5577-6464, Facsimile : +91(40)5577-6468
e-mail : softsol@softsolindia.com

ATTENDANCE SLIP

PLEASE FILL ATTENDANCE SLIP AND HAND OVER AT THE ENTRANCE OF THE MEETING VENUE :

DP ID: Regd. Folio No.
Client ID

Name and address of the Shareholder/Proxy:

Number of Shares held

I hereby record my presence at the 14th Annual General Meeting of the company held on Thursday the 30th Day of September 2004 at the registered office of the company situated at Plot No. 4, Infocity, Madhapur, Hyderabad - 500 033 at 11.00 a.m.

(Signature of Shareholder/Proxy)

SOFTSOL INDIA LIMITED

Regd. Off.: Plot No.4, Infocity, Madhapur, Hyderabad - 500 033.
Tel : +91 (40) 5577-6464, Facsimile : +91(40)5577-6468
e-mail : softsol@softsolindia.com

PROXY FORM

DP ID: Regd. Folio No.
Client ID

I/We of being a member(s) of SoftSol India Limited hereby appoint of or failing him of as my /our proxy to vote for me / us and on my / our behalf at the 14th Annual General Meeting to be held on Thursday, the 30th September, 2004 at the registered office of the company situated at Plot No. 4, Infocity, Madhapur, Hyderabad - 500 033 at 11.00 a.m. or any adjournment thereof.

Signed this.....day 2004.



Note : The duly stamped, completed and signed proxy, in order to be effective, must be received by the Company, not less than 48 hours before the commencement of the meeting.

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