

Board of Directors

Mr. Srinivasa Rao Madala
Mr. Bhaskar Rao Madala
Dr. Durga V.L.K.Madala
Dr. T. Hanuman Chowdary
Dr. Jayaprakash Narayan
Mr. B. S. Srinivasan

Chairman
Whole-time Director

(Alternate director to Dr. Durga V.L.K.Madala)

Company Secretary

Mr. Anil Kumar Singh

Registered Office

Plot No. 4, Infocity, Madhapur, Hyderabad - 500 033
Telephone: + 91 (40) 55747704
Facsimile: + 91 (40) 55747705
E-mail: softsol@softsolindia.com
Website: www.softsolindia.com

Statutory Auditors

Balarami & Nagarjuna,
Chartered Accountants, Hyderabad.

Internal Auditors

Brahmayya & Co.
Chartered Accountants

Bankers

ICICI Bank Limited
UTI Bank Limited

Registrar & Share Transfer Agent

Karvy Computershare Private Ltd.
KARVY House, Road No. 1,
Banjara Hills, Hyderabad - 500 034
Tel: + 91 (40) 2332-6591
Facsimile: +91 (40) 2331-1968
email:

NOTICE OF THE 15th ANNUAL GENERAL MEETING

Notice is hereby given that the fifteenth Annual General Meeting of the members of SoftSol India Limited will be held on Friday, the 30th day of September, 2005 at 11.00 a.m., at the registered office of the Company situated at Plot No. 4, Infocity, Madhapur, Hyderabad - 500 033 to transact the following business:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at March 31, 2005 and the Profit & Loss Account for the year ended on that date together with the Report of the Directors and the Auditors thereon.
2. To appoint a Director in place of Dr. Durga V. L. K. Madala, who retires by rotation and being eligible offers herself for re-appointment.
3. 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 reappointed as Statutory 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 such remuneration as may be mutually agreed upon between the Board of Directors of the Company and the Auditors, in addition to actual out of pocket expenses incurred by them for the purpose of audit.”

Notes:

- (a) 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/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- (b) The Register of Members and the Share Transfer Books will remain closed from 29-09-2005 to 30-09-2005, both days inclusive.
- (c) Members / Proxies are requested to bring annual report along with the attendance slip filled in for attending the meeting.
- (d) Details under Clause 49 of the listing agreement with The Stock Exchange, Mumbai in respect of Director seeking re-appointment at the Annual General Meeting, are annexed hereto.

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

**Place: Hyderabad
Date: 28-07-2005**

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

Annexure to the Notice: (Item No. 2)

Details of Director retiring by rotation seeking re-appointment at the forthcoming Annual General Meeting to be held on September 30, 2005

Name of the Director	: Dr. Durga V. L. K. Madala
Date of Birth	: 22-06-1967
Date of appointment	: 01-08-1999
Qualifications	: Doctor of Medicine (USA)
Expertise in specific functional areas	: Wide experience in Information Technology Industry
Directorships held in other Public Companies (excluding foreign companies)	: None
Memberships/ Chairmanships of committees across public companies (excluding foreign companies)	: None
Shareholding in the Company	: 6,81,964 Equity shares constituting 3.66 % of the total paid up capital of the Company.

DIRECTORS' REPORT

Dear Members,

The Directors present their Fifteenth Annual Report together with the Audited financial statements for the year ended March 31, 2005.

Financial Results

	Financial Year	
	2004-05 (Rs.in lakhs)	2003-04 (Rs.in lakhs)
Gross Revenue	579.89	633.82
Total Expenditure	536.39	572.83
Operating Profit	43.50	60.99
Other Income	128.03	136.84
Interest	Nil	Nil
Depreciation	53.98	71.47
Profit before Tax	117.55	126.36
Provision for Taxation	22.00	34.50
Profit after Tax	36.32	32.63
Transfer to General Reserve	3.63	1.63
Earning per Share (Rs.)	0.19	0.18
Dividend %	Nil	Nil
Total Paid-up Capital	1864.17	1864.17

Review of Operations and Future Outlook:**Parent Company**

During the year under review, your Company recorded income of Rs. 579.89 Lakhs from export of software in comparison with previous year's income of Rs. 633.82 Lakhs. Your company achieved net profit of Rs. 36.32 Lakhs for the year 2005 in comparison with the previous year's net profit of Rs. 32.63 Lakhs.

Subsidiary Company

SoftSol Resources Inc., (SRI) a wholly owned subsidiary of your Company, recorded total revenue of US\$ 11.49 Millions in comparison with the previous year's revenue of US\$ 9.41 Millions. SRI recorded net profit of US\$ 69,561 for the year 2004 in comparison with the previous year's net profit of US\$ 42,849.

Management Discussions and Analysis:

Management Discussions and Analysis is annexed to this Report.

Directors:

Dr. Durga V. L. K. Madala retires by rotation at the forthcoming Annual General Meeting and being eligible offer herself for re-appointment.

Corporate Governance:

Your directors affirm their commitment to the Corporate Governance Standards prescribed by the Securities and Exchange Board of India (SEBI). This Annual Report carries a report on Corporate Governance and benchmarks your Company with the SEBI Code on Corporate Governance. A Practicing Company Secretary Certificate in line with Clause 49 of the Listing Agreement is annexed to and is part of the Directors' Report.

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.

Auditors' Report:

The Notes on account, referred to in the Auditors' Report, are self-explanatory and therefore do not call for any further comments under Section 217 (3) of the Companies Act, 1956.

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 the Company are not energy-intensive. However measures have been taken to reduce energy consumption by using energy efficient computers and by the purchase of energy efficient equipment with the latest technologies. The expense on power is nominal and under control.
- b) Research and Development: No amount was spent in Research and development during the year 2004-05.
- c) Technology Absorption: Since business and technologies are changing constantly, investment in research and development activities is of paramount importance. Your Company continued its focus on quality up gradation of software development process and software product enhancements. It has helped to maintain margins despite changes in technology.
- d) Foreign Exchange earnings and outgo: Total foreign exchange earnings during the year were Rs. 579.88 Lakhs (Previous year Rs. 633.82 Lakhs) and foreign exchange outgo was Rs. 299.23 Lakhs (previous year Rs. 1481.13 Lakhs).

Particulars of Employees:

Details of the employees in terms of under section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is annexed to this report.

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:

During the year shares of the company were de-listed from The Hyderabad Stock Exchange Limited (HSE). The Equity shares of the Company are now listed only at The Stock Exchange, Mumbai (BSE). Your Company has paid the annual listing fees for the year 2005-06 to the Stock Exchange, Mumbai.

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.

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 on behalf of the Board of Directors,
of SoftSol India Limited**

Sd/-

**Bhaskar Rao Madala
Whole-time Director**

**Place: Hyderabad
Date: 28-07-2005**

STATEMENT UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956 FORMING PART OF DIRECTORS' REPORT

Name	: Chilakalapudi Srinivas
Age	: 36 years
Designation	: Manager of India Operations
Educational Qualifications	: MS in Computer Science and Telecommunications.
Remuneration	: Rs.21,29,507/-
Experience	: 12 years
Date of Joining	: May 24, 2004
Previous Employment	: Active Card India, Hyderabad.
Designation held in previous employment	: Managing Director
Previous Employment held since	: October 2002
% of equity shares held in Company as on 28-07-2005.	: Nil

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 an objective of maximizing overall stakeholder's value.

2. Board of Directors

Composition of the Board:

The composition of the Board of Directors of the Company as on March 31, 2005 is as follows:

Name of the Director	Category	Designation	* No. of membership 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. Bhaskar Rao Madala	Executive Director	Whole-time Director	Nil	Nil	Nil
Dr. T. Hanuman Chowdary	Independent Non- Executive Director	Director	Three	One	Nil
Dr. Jayaprakash Narayan	Independent Non- Executive Director	Director	One	Nil	Nil
Mr. B.S. Srinivasan	Independent Non- Executive Director	Alternate Director to Dr. Durga Madala	Nil	Nil	Nil

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

Details of Board Meetings and Attendance:

During the year 2004-05 Board of Directors of the Company met six times i.e. on 30-04-2004, 29-05-2004, 29-06-2004, 23-07-2004, 25-10-2004 and 25-01-2005. 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	Nil	Yes
Dr. Durga V.L.K Madala	6	Nil	No
Mr. Bhaskar Rao Madala	6	6	Yes
Dr. T. Hanuman Chowdary	6	6	Yes
Dr. Jayaprakash Narayan	6	4	No
Mr. B.S.Srinivasan	6	4	Yes

Re-appointment of Director:

Dr. Durga V. L. K. Madala Director of the Company shall retire by rotation at the forthcoming Annual General Meeting and being eligible offers herself for re-appointment.

Shareholding details of non-executive directors:

Shareholding details of non-executive directors of the Company as on March 31, 2005 is as follows:

Name of the Director	No. of shares held as on 31-03-2005
Mr. Srinivasa Rao Madala	Nil
Dr. T. Hanuman Chowdary	Nil
Dr. Jayaprakash Narayan	Nil
Dr. Durga V. L. K. Madala	6,81,964 equity shares of Rs. 10 each constituting 3.66 % of the total paid up capital.

None of the Non-executive directors have any material pecuniary relationship or transactions with the Company.

3. Audit Committee

The prime objective of Audit Committee is to monitor and provide effective supervision of the management's financial reporting process with the view to ensure accurate, timely and proper disclosures and transparency, integrity and quality of financial reporting.

There are three members of the audit committee and all the members of the committee are Non-Executive Independent Directors. 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 terms of reference of the Audit Committee are as follows:

- a) Overseeing the Company financial reporting process and the disclosure of its financial information, to ensure that the financial statement is correct, sufficient and credible;
- b) Recommending to the Board, the appointment, re-appointment, replacement or removal of external auditors, fixing audit fees and approving non-audit, consulting services provided to the Company;
- c) Reviewing with the management the quarterly financial statements before submission to the Board, focusing primarily on:
 - Any changes in accounting policies and practices and reasons for the change;
 - Major accounting entries involving estimates based on exercise of judgment by Management;
 - Qualifications in draft audit report;
 - Significant adjustments arising out of audit;
 - The going concern assumption;
 - Compliance with accounting standards;
 - Compliance with listing and other legal requirements concerning financial statements;
 - Any related party transactions, i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc. or any related party transaction, that may have a potential conflict with the interests of the Company at large or may be in the normal course of business; and
 - The Management Discussion and Analysis of financial condition and results of operations and matters required to be included in the Directors' Responsibility management.
- d) Reviewing, with management performance of statutory and internal auditors and adequacy of internal control systems and recommending improvements to the management;
- e) Reviewing the adequacy of internal audit function, including the structure of internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
- f) Discussing with the internal auditors any significant findings and follow up thereon;
- g) Reviewing findings of any internal investigation by the internal auditors into matters involving a suspected fraud or irregularity or failure of internal control systems of a material nature and reporting the matter to the Board;
- h) Discussing with the external auditors before the audit commences, the nature and scope of audit as well as conduct post audit discussions to ascertain any area of concern.
- i) Reviewing the Company's financial and risk management policies;
- j) Initiating investigations into the reasons for substantial defaults in payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors; and
- k) Reviewing the functioning of Whistle Blower Mechanism.

Meetings and Attendance:

During the financial year 2004-05 Audit Committee of the Board of Directors met 5 times i.e. on 30-04-2004, 29-05-2004, 23-07-2004, 25-10-2004 and 25-01-2005. 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	5	4
Dr. T. Hanuman Chowdary	5	4
Mr. B. S. Srinivasan	5	3

4. 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:

- a) To review and approve / recommend the remuneration for the Corporate officers and Whole-time director of the Company
- b) To review and recommend to the Board the remuneration policy for the Company.
- c) To approve grant of stock options to the employees and / or directors of the Company and subsidiary.
- d) 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:

The Committee has the mandate to review and recommend compensation payable to the Whole-time Director and Senior Executives of the Company. 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 2004-05 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. Bhaskar Rao Madala	Whole-time Director	8,73,485	Nil	Nil	8,73,485
Dr. T. Hanuman Chowdary	Director	Nil	Nil	25,000	25,000
Dr. Jayaprakash Narayan	Director	Nil	Nil	16,000	16,000
Mr. B.S.Srinivasan	Director	Nil	Nil	21,000	21,000

No other benefits, bonuses, stock options, pensions or performance-linked incentives are paid to directors except as mentioned above and there are no pecuniary relationships or transactions by the non-executive directors during the financial year.

Meetings and Attendance:

The meeting of the Remuneration Committee was conducted on 25-10-2004. All the members of the Committee attended the meeting conducted on 25-10-2004.

5. 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.

Scope of the Committee

The scope of the Share Transfers and Shareholders Grievance Committee is to review and address the grievances of the shareholders in respect of share transfers, transmissions, dematerializations and rematerialisation of shares, dividend, change of address and other miscellaneous matters.

During the year Company has not received any complaints from the shareholders and there are no pending shareholder complaints or share transfers as on date of this report.

Meetings and Attendance:

The Committee met 9 times i.e. on 14-07-2004, 20-09-2004, 20-10-2004, 29-11-2004, 20-12-2004, 22-12-2004, 07-02-2005, 23-02-2005 and 18-03-2005 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	9	8
Mr. Bhaskar Rao Madala	9	9
Mr. B. S. Srinivasan	9	9

6. Annual General Meetings

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

Year/Period	Day, Date and Time	Location
2001-02	Wednesday, 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.
2003-04	Thursday, 30 th September 2004 at 11.00 A.M.	At the Registered office of the Company at Plot No.4, Infocity, Madhapur, Hyderabad – 500 033.

A special resolution was passed by the shareholders in the Annual General Meeting held on 30th September 2004 to accord their consent to delist the equity shares of the Company from the Hyderabad Stock Exchange Limited.

No business was transacted through postal ballot at the last three Annual General Meetings. At the forthcoming Annual general Meeting no business is required to be transacted through postal ballot.

7. Other Disclosures:

Details of Related Party Transactions:

- 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 31-03-2005 and in the corresponding previous year.
- 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 31.03.2005 are:

	31-03-2005 (in Rs.)	31.03.2004 (in Rs.)
Sales	5,79,88,558	6,33,82,193
Onsite Expenditure	2,85,62,624	4,81,13,330
Investment	Nil	Nil

- No Loans and Advances to Subsidiary Company have been made in the financial year 2004-2005.

Pecuniary relationship or transactions of the Non-Executive Directors

There are no pecuniary relationship or transactions with non-executive directors vis-à-vis the Company, which has potential conflict with the interests of the Company at large.

Details of the use of proceeds from public issues, rights issues, preferential issues etc.

No funds have been raised through issue of equity or debt.

Details of non-compliance, penalties, strictures imposed on the Company by the Stock Exchange or SEBI or any statutory authority, on any matter related to capital market, during the last three years

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.

8. 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 Center (NIC).

9. General Shareholders Information:

Registered Office & address for Correspondence:	Plot No.4, Infocity, Madhapur, Hyderabad - 500 033.
Annual General Meeting: (Date, Time and Venue)	Friday, September 30, 2005; 11.00 A.M Plot No.4, Infocity, Madhapur, Hyderabad - 500 033.
Financial Year:	April 1, 2004 to 31 st March 2005.
Book Closure:	September 29, 2005 to September 30, 2005 (both days inclusive)
Listing of Shares:	The Stock Exchange, Mumbai (Stock Code No. 532344)
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, 2005, no share transfer or complaints were pending.

Listing Fee:	The Company has paid listing fees for the financial year 2004-2005 to the Stock Exchange, Mumbai where its securities is listed.
Details on use of public funds in years obtained	No fund was raised from public during the last three years
Address for Correspondence:	SoftSol India Limited, Plot No.4, Infocity, Madhapur, Hyderabad - 500 033.

Distribution of Shareholding as on March 31, 2005:

Number of Equity Shares held	Shareholders (Numbers)	Shareholders (Percentage)	Shares (Numbers)	Shares (Percentage)
1 – 5000	2895	84.90	587077	3.15
5001 – 10000	325	9.53	279658	1.50
10001 – 20000	100	2.93	155961	0.84
20001 – 30000	34	1.00	87179	0.47
30001 – 40000	15	0.44	55720	0.30
40001 – 50000	8	0.23	36498	0.20
50001 – 100000	9	0.26	65298	0.35
100001 & above	24	0.70	17361291	93.20
Total	3410	100.00	18628682	100.00

Financial Calendar:

Date of Annual General Meeting	: September 30, 2005
First quarter results	: July 2005
Second quarter results	: October 2005
Third quarter results	: January 2006
Annual Results	: June 2006
Annual General Meeting	: August / September 2006.

Shareholding Pattern as on March 31, 2005

Category	No. of Holders	No. of Shares	% of Shareholding
Promoters	10	1,17,05,371	62.84
Non-Resident Indians	14	1,70,147	0.91
FII's/Banks etc.	Nil	Nil	Nil
Mutual Funds and UTI	Nil	Nil	Nil
Foreign Institutional Investors	Nil	Nil	Nil
Body Corporates	73	54,04,476	29.01
Indian Public	3,313	13,48,688	7.24
Total	3,410	1,86,28,682	100.00

Market Price Data:

The high/low market price of the shares during the financial year 2004-05 at the Stock Exchange, Mumbai (BSE) and the Hyderabad Stock Exchange Limited (HSE).

Month	BSE – High	BSE – Low	HSE – High	HSE – Low
April 2004	10.47	8.01	Nil	Nil
May 2004	10.00	7.52	Nil	Nil
June 2004	9.60	7.00	Nil	Nil
July 2004	9.00	7.15	Nil	Nil
August 2004	10.40	8.01	Nil	Nil
September 2004	13.50	8.55	Nil	Nil
October 2004	18.93	11.25	Nil	Nil
November 2004	20.90	17.00	Nil	Nil
December 2004	23.50	17.25	Nil	Nil
January 2005	22.50	17.85	Nil	Nil
February 2005	27.00	19.00	Nil	Nil
March 2005	25.35	15.90	Nil	Nil

Dematerialization of Shares and liquidity:

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 31.03.2005.

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

Electronic Connectivity:

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Industry structure and developments

According to International Data Corporation (IDC) Global IT spending is projected to grow at a compound annual growth rate of 6.4% to reach US \$ 512.80 billion by 2008. Further as per NASSCOM published "Strategic Review 2005- The Industry in India" offshoring will continue to grow with offshore market expected to increase from 6.3 % in 2004 to 8.8 % by 2007 of the global IT services and BPO market. By the end of year 2008 overall offshore sourcing is expected to be US \$ 94 billion. In particular to India, offshoring is expected to grow to US\$ 48 billion by the end of year 2008. The "India" advantage is expected to continue in the global markets.

Opportunities, Threats, Risks and Concerns

India is considered to be the most favored destination for offshore service delivery. SoftSol is aware of the changes in business environment and has put in place the following strategies:

- Strengthening of Offshore development center.
- Building competitive technical team.
- Cut down cost of operations.
- Best utilization of available resources.

Outlook

Your Company believes that in the year 2005-06 revenue from software exports will record an estimate growth of 25% in comparison with the previous year's 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

Revenue of Rs. 5.76 Crores was generated out of software exports in the year 2004-05. In comparison with the previous year's performance, revenue out of software exports has fallen by %. The fall in revenue is due to significant decrease in revenue generated out of onsite services. However Revenue from offshore services increased by % in comparison with the previous year's off shore revenue of Rs. ———.

Due to fall in onsite services, expenses related to onsite activities have accordingly decreased. At the same time personnel expenses have gone up due to increase in offshore services i.e. from India.

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. As on date of this report i.e. 28-07-2005, the total number of associates was 55. Industrial relations were cordial and satisfactory.

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

To

The members of 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, 2005, 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**

**Place: Hyderabad
Date: 28-07-2005**

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, 2005 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 2005 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2005 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 2005;
- 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 : 20-06-2005

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/granted loans from/to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act,1956.
 - 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 were altered during the year and 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 maintenance 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, 2005 for a period of more than six months from the date of becoming payable.
- c. Demand for an amount of Rs. 1,82,38,564/- was made by the Income tax department against the profit earned during the financial year ended 31-03-2001. Income Tax tribunal has granted part relief against the said demand during the year 2004-2005. For the remaining amount the company has filed appeal before Hon'ble High Court, Andhra Pradesh for adjudication.
- Demand for an amount of Rs. 1,21,54,880/- has been made by the Income Tax Department against the profit earned during the financial year ended 31-03-2002. No provision is made in the current financial year as the matter is pending before commissioner appeal for adjudication.

Demand for an amount of Rs.37,53,354/- has been made by the Income tax Department U/S 201(1) of the Income Tax Act for not deducting Tax at source during the financial year ended 31-03-2002. No provision is made in the current financial year as the matter is pending before commissioner appeal 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 preceeding 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 : 20-06-2005

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

BALANCE SHEET OF SOFTSOL INDIA LIMITED AS AT 31ST MARCH 2005

	SCHEDULE No.	AS AT 31-03-2005 (in Rupees)	As at 31-03-2004 (in Rupees)
I. (A) SOURCE OF FUNDS			
1. Share Holder's Funds			
(a) Share Capital	1	190,416,190.00	190,416,190.00
(b) Reserves and Surplus	2	1,025,634,532.72	1,022,002,652.52
2. Loan Funds			
Unsecured Loan	3	-	43,390,000.00
T O T A L		1,216,050,722.72	1,255,808,842.52
II (B) APPLICATION OF FUNDS			
1. Fixed Assets			
a) Gross Block	4	83,218,261.52	89,869,063.04
Less : Depreciation		31,510,736.81	35,978,318.37
b) Net Block		51,707,524.71	53,890,744.67
Add: Capital Work In Progress		328,802.03	376,184.50
Sub-Total		52,036,326.74	54,266,929.17
2. Investments	5	953,404,053.00	950,748,599.00
3. Current Assets, Loans & Advances	6	221,859,901.98	250,658,628.35
Less : Current Liabilities & Provisions	7	11,249,559.00	5,787,894.00
Net Current Assets		210,610,342.98	244,870,734.35
4. Miscellaneous expenses (to the extent not written off or adjusted)	8	-	5,922,580.00
T O T A L		1,216,050,722.72	1,255,808,842.52
NOTES ON ACCOUNTS	13		

For Balarami & Nagarjuna
Chartered Accountants

Sd./-
(G. Pulla Reddy)
Partner

Place : Hyderabad
Date : 20-06-2005

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

Sd/-
(Dr. Jayaprakash Narayan)
Director

For and on behalf of the Board
of SoftSol India Limited

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

Sd/-
(Anil Kumar Singh)
Company Secretary

PROFIT & LOSS ACCOUNT OF SOFTSOL INDIA LIMITED FOR THE YEAR ENDED 31ST MARCH 2005

	Schedule No.	Current Year 31-03-2005 (in Rupees)	Previous Year 31-03-2004 (in Rupees)
INCOME			
Income from Software Exports	09	57,988,558.00	63,382,193.71
Other Income	10	12,803,278.41	13,684,362.14
TOTAL INCOME (A)		70,791,836.41	77,066,555.85
EXPENDITURE			
Personnel Expenses	11	11,806,118.00	2,373,282.55
Operating & Administration Expenses	12	41,693,140.95	54,492,266.99
Financial Charges		140,126.34	417,240.28
TOTAL EXPENDITURE (B)		53,639,385.29	57,282,789.82
PROFIT BEFORE DEPRECIATION & TAX (A-B)		17,152,451.12	19,783,766.03
Depreciation	04	5,397,991.92	7,146,911.02
PROFIT BEFORE TAX		11,754,459.20	12,636,855.01
Public Issue Exp. Written Off		5,922,579.00	5,922,575.00
NET PROFIT BEFORE TAX		5,831,880.20	6,714,276.01
Provision for Taxation		2,200,000.00	3,450,000.00
PROFIT FOR THE YEAR/PERIOD		3,631,880.20	3,264,276.01
Balance brought forward from previous year		194,794,981.88	191,693,919.67
AMOUNT AVAILABLE FOR APPROPRIATION		198,426,862.08	194,958,195.68
APPROPRIATIONS			
Transfer to General Reserve		363,188.02	163,213.80
Balance Carried Forward to Balance Sheet		198,063,674.06	194,794,981.88
		198,426,862.08	194,958,195.68
Earning Per Share (Basic & Diluted)		0.19	0.18
NOTES ON ACCOUNTS	13		
For Balarami & Nagarjuna Chartered Accountants		For and on behalf of the Board of SoftSol India Limited	
Sd./- (G. Pulla Reddy) Partner	Sd./- (M. Bhaskar Rao) Whole - Time Director	Sd./- (Dr. T. Hanuman Chowdary) Director	
Place : Hyderabad Date : 20-06-2005	Sd./- (Dr. Jayaprakash Narayan) Director	Sd./- (Anil Kumar Singh) Company Secretary	

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31-03-2005 (in Rupees)	As at 31-03-2004 (in Rupees)
01. SHARE CAPITAL		
Authorised		
50,000,000 Equity Shares of Rs. 10/- each	<u>500,000,000.00</u>	<u>500,000,000.00</u>
Issued		
19,681,430 Equity Shares of Rs. 10/- each	<u>196,814,300.00</u>	<u>196,814,300.00</u>
Subscribed		
19,455,630 Equity shares Rs. 10/- each	<u>194,556,300.00</u>	<u>194,556,300.00</u>
Paid Up Capital		
1,86,27,608 Equity shares of Rs. 10/- each	186,276,080.00	186,276,080.00
28,200 Equity shares of Rs.5/- each partly paid up	141,000.00	141,000.00
	<u>186,417,080.00</u>	<u>186,417,080.00</u>
Shares Forfeited		
7,99,822 Equity shares of Rs. 5/- each	3,999,110.00	3,999,110.00
T O T A L	190,416,190.00	190,416,190.00
02. RESERVES AND SURPLUS		
	Opening Balance.	Additions
	01.04.2004	Deletions
		Closing Balance
		31.03.2005
Share Premium Account	757,880,730.00	-
General Reserve	69,326,940.64	363,188.02
Profit & Loss Account	194,794,981.88	3,268,692.18
T O T A L	1,022,002,652.52	3,631,880.20
		-
		1,025,634,532.72
03. LOAN FUNDS		
Unsecured Loan		
Payment due towards Acquisition of shares of Wholly Owned Subsidiary	-	43,390,000.00
T O T A L	-	43,390,000.00
05. INVESTMENTS		
Unquoted		
Long Term Investments In Subsidiary (13,120 common stock of USD 100 each)	953,404,053.00	950,748,599.00
T O T A L	953,404,053.00	950,748,599.00

04. FIXED ASSETS	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	AS ON 1 Apr. 04 Rs.	ADDITIONS DURING THE YEAR RS.	DEDUCTIONS DURING THE YEAR RS.	AS ON 31.03.2005 Rs.	UP TO 1.4.2004 Rs.	DEDUCTIONS RS.	DURING THE YEAR Rs.	TOTAL RS.	AS ON 31.03.2005 Rs.	Rs. AS ON 31.03.2004 Rs.
Land	13,918,306.85	-	-	13,918,306.85	-	-	-	-	13,918,306.85	13,918,306.85
Building	29,760,193.00	2,41,499.35	-	30,001,692.25	62,91,423.77	-	11,85,513.42	74,76,937.19	2,25,24,755.16	2,34,68,769.23
Computers	3,090,880.0	687,950.00	-	3,778,830.00	2,759,943.38	-	287,936.56	3,047,879.94	730,950.06	330,936.62
Computers-Imported	7,912,630.15	1,401,757.00	-	9,314,387.15	6,837,583.34	-	542,824.88	7,380,508.22	1,933,878.93	1,074,945.81
Air Condition System	3,349,255.00	993,516.00	-	4,342,771.00	1,739,228.37	-	300,926.78	2,040,155.15	2,302,615.85	1,610,025.63
Generator	785,000.00	-	-	785,000.00	413,778.43	-	51,636.84	465,415.27	319,584.73	371,221.57
Lift	741,985.00	-	-	741,985.00	388,454.45	-	49,174.63	437,639.08	304,345.92	353,520.55
UPS	754,772.00	671,864.00	-	1,426,636.00	394,178.97	-	111,353.15	505,532.12	921,103.88	360,593.03
Furniture & Fixtures	7,919,752.60	1,658,187.00	-	9,577,949.60	4,225,247.06	-	869,633.96	5,094,881.02	4,483,068.58	3,694,515.64
Electrical Installation	4,568,040.92	372,240.15	-	4,940,281.07	2,392,524.58	-	433,459.83	2,825,984.41	2,114,296.66	2,175,516.34
Office Equipment	656,551.50	631,778.00	283,073.52	1,005,255.98	233,630.72	45,898.00	108,634.57	295,357.29	709,888.69	422,920.78
Office Equipment-Imp	838,894.52	-	375,250.00	463,644.52	307,381.66	19,020.00	48,167.97	165,529.63	298,114.89	531,512.86
Canteen Equipment	61,040.00	-	-	61,040.00	29,046.18	-	4,450.37	33,496.55	27,543.45	31,993.82
Motor & Borewell	99,794.00	-	-	99,794.00	57,741.80	-	5,849.43	63,591.23	35,202.77	42,052.20
Vehicles	2,546,411.00	-	-	2,546,411.00	1,237,305.30	-	324,305.13	1,561,611.43	984,799.57	1,309,104.70
Xerox Machine - Imp	195,685.00	-	-	195,685.00	91,375.37	-	14,509.52	105,884.89	89,800.11	104,309.63
Software	11,378,813.50	-	11,378,813.50	-	8,570,867.99	9,628,655.49	1,057,787.50	-	-	2,807,945.52
Library	18,592.00	-	-	18,592.00	8,496.01	-	1,827.38	10,323.39	8,268.61	10,095.99
Research&Development	1,272,456.00	-	1,272,456.00	-	-	-	-	-	-	1,272,456.00
T O T A L	89,869,063.04	6,658,791.50	13,309,593.02	83,218,261.62	35,978,318.38	9,865,573.49	5,397,991.92	31,510,736.81	51,707,524.71	53,890,744.67
Previous Year Total	89,011,262.00	1,210,373.00	362,572.00	89,869,063.00	29,092,870.00	261,463.00	7,146,911.00	35,978,318.00	53,890,745.00	59,918,392.00

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31-03-2005 (in Rupees)	As at 31-03-2004 (in Rupees)
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	3,139.55	5,853.05
BANK BALANCES		
With Schedules Banks :		
in Current Accounts	22,128,520.72	12,611,578.77
in Fixed Deposits	181,252,129.00	222,433,420.00
Unclaimed Dividend - Corp. Bank	1,424,632.00	1,454,586.00
T O T A L (A)	204,808,421.27	236,505,437.82
(B) LOANS AND ADVANCES		
(Advances recoverable in cash or in kind or for value to be received)		
Advance for Capital Works	52,677.00	112,777.00
Deposits	571,896.00	312,140.00
Prepaid Expenditure	382,336.09	389,908.00
Intercorporate Loans	1,543,800.00	1,543,800.00
Advance Income Tax	10,858,021.53	3,914,651.00
Tax Deducted At Sources	2,834,573.94	7,836,554.53
Interest Accrued but not due	362,004.50	18,360.00
Advance for Expenses	446,171.65	25,000.00
T O T A L (B)	17,051,480.71	14,153,190.53
T O T A L (A + B)	221,859,901.98	250,658,628.35
07 CURRENT LIABILITIES & PROVISIONS		
Current Liabilities		
Other Liabilities	3,899,769.00	787,250.00
Provisions		
Provision for Taxation	5,650,000.00	3,450,000.00
Provision for Gratuity	275,158.00	96,058.00
Unclaimed Dividend	1,424,632.00	1,454,586.00
T O T A L	11,249,559.00	5,787,894.00

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31-03-2005 (in Rupees)	As at 31-03-2004 (in Rupees)
08 MISCELLANEOUS EXPENSES (To the extent not written off)		
Public Issue Expenses	-	3,483,740.00
Brokerage & Commission	-	2,438,840.00
TOTAL	-	5,922,580.00

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

	Current Year (in Rupees)	Previous Year (in Rupees)
09 SOFTWARE EXPORTS		
Onsite	37,129,404.00	57,617,387.71
Off Shore	20,859,154.00	5,764,806.00
TOTAL	57,988,558.00	63,382,193.71
10 OTHER INCOME		
Interest on Fixed Deposits	591,273.50	8,335,228.99
Interest on Loan	100,283.00	182,027.00
Lease Rentals	4,527,283.00	-
Dividend income from Mutual Funds	5,274,773.68	3,831,179.91
Short term Capital Gain	2,153,260.23	1,318,441.24
Other Income	156,405.00	17,485.00
TOTAL	12,803,278.41	13,684,362.14
11 PERSONNEL EXPENSES		
Salaries, Wages	10,479,421.00	2,067,360.00
Contribution to PF and other statutory Funds	595,198.00	110,900.00
Staff welfare	503,037.00	127,743.55
Medical Reimbursement	111,462.00	49,539.00
Bonus	117,000.00	17,740.00
TOTAL	11,806,118.00	2,373,282.55

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

	Current Year (in Rupees)	Previous Year (in Rupees)
12. OPERATING AND ADMINISTRATION EXPENSES		
Rent, Rates & Taxes	696,501.00	397,361.00
Repairs & Maintenance		
---On Equipment	192,536.00	37,994.00
---Building Maintenance	131,901.00	45,955.00
---Others	448,004.05	449,206.08
Advertisement	157,677.00	96,744.00
Recruitment Expenses	779,954.00	122,740.00
Communication Charges	438,201.00	441,260.05
Printing & Stationery	199,577.00	201,262.50
S T P I - Service Charges	50,000.00	150,000.00
Directors Remuneration		
---Salaries	787,500.00	558,000.00
---Gratuity	28,385.00	26,827.00
---Provident Fund	57,600.00	57,600.00
Sitting Fee	62,000.00	54,000.00
Auditors Remuneration		
---Audit Fee	33,060.00	30,000.00
---Tax Audit	11,020.00	10,000.00
---Other Services	16,120.00	10,000.00
---Incidental Exp.	949.00	5,000.00
Legal & Professional Services	1,544,182.00	418,307.00
Travelling expenses		
---Director's	256,037.00	617,171.40
---Others	776,567.00	118,437.10
On Site Expenses	28,562,623.60	48,113,329.69
General Expenses	331,940.04	20,262.00
Electricity Charges	440,638.88	638,012.44
Conveyance	323,400.50	232,183.00
Books & Periodicals	13,055.00	19,009.00
Business Promotion	20,293.00	93,169.20
Security Service Charges	119,592.00	214,528.00
Loss from Investment for Mutual Funds	6,719.00	85,300.48
Soft Link Charges	1,386,515.30	941,638.41
Assets Written off	3,444,019.02	-
Donations	10,000.00	1,116.00
Registration & Filling Fee	3,520.00	1,000.00
ISO Expenses	26,452.00	38,391.00
Insurance	336,601.56	246,462.64
TOTAL	41,693,140.95	54,492,266.99

SCHEDULE – 13 : Statement of Significant Accounting policies and Notes forming part of the accounts for the year ended March 31, 2005**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 31-03-2005 (in Rs.)	During the year ended 31-03-2004 (in Rs.)
Salaries & Other Allowances	7,87,500.00	5,58,000.00
Provident Fund	57,600.00	57,600.00
Gratuity	28,385.00	26,827.00

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 31-03-2005.

Foreign Exchange Earnings

Foreign exchange of an amount of Rs. 5,79,88,558/- is earned during the year ended 31-03-2005. Foreign exchange of an amount of Rs. 6,33,82,193/- was earned during the corresponding previous year ended 31-03-2004.

Transactions in Foreign Exchange

	31-03-2005 (in Rs.)	31-03-2004 (Rs.)
Imports on CIF basis -- Capital Foods	13,25,209.00	Nil
Final instalments of acquisition of investments	4,60,45,454.00	Nil
Traveling Expenditure	34,763.00	Nil

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 2005 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 2005. Hence the directors of the company are of the opinion, that only one segment 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 31-03-2005 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 31-03-2005:

	31-03-2005 (in Rs.)	31-03-2004 (in Rs.)
Sales	5,79,88,558.00	6,33,82,193.00
Onsite Expenditure	2,85,62,624.00	4,81,13,330.00

No Loans and Advances in the nature of loans to Subsidiaries / associates / firms / companies, in which directors are interested, have been made in the current financial year.

Income Tax Liability

1. 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. Income Tax tribunal has granted part relief against the said demand during the year 2004-2005. For the remaining amount the Company has filed appeal before Hon'ble High Court, Andhra Pradesh for adjudication.
2. Demand for an amount of Rs. 1,21,54,880/- has been made by the Income tax department against the profit earned during the financial year ended 31-03-2002. No provision is made in the current financial year as the matter is pending before commissioner appeal for adjudication.

3. Demand for an amount of Rs. 37,53,354/- has been made by the Income tax department U/S 201(1) of the Income Tax Act for not deducting the Tax at source during the financial year ended 31.03.2002. No provision is made in the current financial year as the matter is pending before commissioner appeal for adjudication.

Earnings per Share

- a) Net Profit of Rs. 36,31,880/- 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.

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 : 20-06-2005

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

Sd/-
(Dr. Jayaprakash Narayan)
Director

**For and on behalf of the Board
of SoftSol India Limited**

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

Sd/-
(Anil Kumar Singh)
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2005

Rs. In Lakhs

	Year ended 31-03-2005	Year ended 31-03-2004
A CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before Tax and Extraordinary Items	58.32	67.14
Adjustments for :		
Depreciation	53.98	71.47
Interest ,Dividend etc., received	(59.66)	(136.66)
Preliminary Expenses W/off	59.23	59.23
Loss from Sale of Asset	-	0.85
Loss from Sale of Mutual Funds	0.07	-
Assets written off	34.44	-
Profit on sale of assets	-	(0.17)
Operating Profit before Working Capital changes	146.37	61.85
Adjustments for Working Capital:		
Current Liabilities	32.92	(19.25)
Loans & Advances	43.89	(21.22)
Net Cash flow from Operating Activities	223.17	21.38
B CASH FLOW FROM INVESTING ACTIVITIES :		
Interest , Dividend etc., received	56.16	137.09
Purchase of Fixed Assets	(66.11)	(15.31)
Sale of Fixed Assets	-	1.09
Income Tax Paid	(69.43)	(92.98)
Investments	(26.55)	37.34
Net Cash flow from Investing Activities	(105.94)	67.23
C CASH FLOW FROM FINANCING ACTIVITIES :		
Unsecured Loan	(433.90)	512.35
Dividend Paid	(0.30)	(171.74)
Net Cash flow from Financing Activities	(434.20)	340.61
Net Increase in Cash and Cash Equivalents	(316.97)	(595.48)
Opening Cash and Cash Equivalents	2,365.05	2,960.54
Closing Cash and Cash Equivalents	2,048.08	2,365.05
	(316.97)	(595.48)

For Balarami & Nagarjuna
Chartered AccountantsSd./-
(G. Pulla Reddy)
PartnerPlace : Hyderabad
Date : 20-06-2005Sd./-
(M. Bhaskar Rao)
Whole - Time DirectorSd./-
(Dr. Jayaprakash Narayan)
DirectorFor and on behalf of the Board
of SoftSol India LimitedSd./-
(Dr. T. Hanuman Chowdary)
DirectorSd./-
(Anil Kumar Singh)
Company Secretary

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: 31.03.2005

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:	1216050	Total Assets:	1216050
Sources of Funds			
Paid up Capital:	190416	Reserves & Surplus:	1025634
Secured Loans:	Nil	Unsecured Loans:	Nil
Application of Funds:			
Net Fixed Assets:	52036	Investments:	953404
Net Current Assets:	210610	Misc. Expenditure:	Nil
Accumulated Losses:	Nil		

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

Turnover:	57988	Total Expenditure:	53639
Profit/Loss before Tax:	5831	Profit/Loss after Tax:	3631
Earning per Share:	0.19	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

For and on behalf of the Board

Place :Hyderabad
Date : 20-06-2005

Sd/-
(Bhaskar 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, 2004
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 69,561
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 within the Accounts of SoftSol India Limited	Nil
ii) Not Dealt within the Accounts of SoftSol India Limited	USD 630,273

For and on behalf of the Board
of SoftSol India Limited

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

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

Place : Hyderabad
Date : 20-06-2005

Sd/-
(Dr. Jayaprakash Narayan)
Director

Sd/-
(Anil Kumar Singh)
Company Secretary

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 2004

Dear Members

Your Directors take pleasure in presenting their report for the financial year 2004.

The Financial Highlights :

(USD in 000's)

Particulars	2004	2003
Total Revenue	11,490	9,413
Other Income	66	83
Total Operating Expense	11,473	9,405
Provision for Taxation	13	48
Net Profit	70	43

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, 2004 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, 2004, 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 Chugh Firm
May 11, 2005

BALANCE SHEET AS OF DECEMBER 31, 2004

	As of 31.12.2004 in USD	As of 31.12.2004 in Rs.	As of 31.12.2003 in USD
1 USD = 43.75			
Assets			
Current Assets			
Cash and Cash Equivalents	631,127.00	27,611,806.25	381,007.00
Accounts Receivable	1,737,105.00	75,998,343.75	1,691,485.00
Less: Allowance for doubtful Accounts	(52,800.00)	(2,310,087.50)	(89,629.00)
Receivable Others	24,000.00	1,050,00.00	-
Employee Advances	8,059.00	352,581.25	-
Prepaid Insurance	43,013.00	1,881,818.75	31,704.00
Prepaid State Income tax	2,193.00	95,943.75	1,249.00
Prepaid Federal Income Taxes	1,788.00	78,225.00	25,628.00
Prepaid Rent	11,931.00	521,981.25	11,260.00
Employee Travel Advances	-	-	14,788.00
Deffered tax asset	19,510.00	853,562.50	-
Total Current Assets	2,425,924.00	106,134,175.00	2,067,492.00
Property & Equipment			
Property and Equipment	485,394.00	21,235,987.50	560,138.00
Less : Accumulated Depreciation	(355,574.00)	(15,556,362.50)	(312,233.00)
Total Property & Equipment	129,820.00	5,679,625.00	247,905.00
Other Assets			
Investment	203,322.00	8,895,337.50	-
Security Deposits	-	-	203,322.00
Refundable Deposits	9,032.00	395,150.00	14,032.00
Total Other Assets	212,354.00	9,290,487.50	217,354.00
Total Assets	2,768,098.00	121,104,287.50	2,532,751.00
Liabilities and Stock Holders equity			
Current Liabilities			
Account Payable - Trade	549,248.00	24,029,600.00	427,643.00
Other Current Liabilities	202,059.00	8,840,081.25	181,634.00
See Schedule-1-Statement of			
Other Current Liabilities			
Total Current Liabilities	751,307.00	32,869,681.25	609,277.00
Differed Tax Liabilities	4,957.00	216,868.75	-
Total Liabilities	756,264.00	33,086,550.00	609,277.00
Stockholders Equity			
Common Stock, \$ 100 par, 1,000,000 shares authorised, 13,120 shares issued and outstanding	1,312,000.00	57,400,000.00	1,312,000.00
Retained Earnings	699,834.00	30,617,737.50	611,474.00
Total Stockholders Equity	2,011,834.00	88,017,737.50	1,923,474.00
Total Liabilities and Stock holders Equity	2,768,098.00	121,104,287.50	2,532,751.00

STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2004

	As of 31.12.2004 in USD	As of 31.12.2004 in Rs.	As of 31.12.2003 in USD
	1 USD = 43.75		
Revenue			
Consulting Income	11,489,655.00	500,604,268.35	9,340,773.00
Computer/Products	-	-	72,567.00
Total Revenue	11,489,655.00	500,604,268.35	9,413,340.00
Cost of Sales			
See Schedule 2-Analysis of Cost of Sales	9,540,796.00	415,692,481.72	7,567,845.00
Gross Profit	1,948,859.00	84,911,786.63	1,845,495.00
Operating Expenses			
Selling Expenses			
See Schedule 3-Analysis of Selling Expenses	792,759.00	34,540,509.63	709,451.00
General & Administrative Expenses			
See Schedule 4-Analysis of G & A Expenses	1,139,417.00	49,644,398.69	1,128,223.00
Total operating expenses	1,932,176.00	84,184,908.32	1,837,674.00
Income from operations	16,683.00	726,878.31	7,821.00
Other Income (Other Expenses)			
Interest Income	147.00	6,404.79	1,007.00
Dividend Income	1,731.00	75,419.67	908.00
Rental Income	48,000.00	2,091,360.00	43,000.00
Other Income	11,061.00	481,927.77	33,817.00
Gain on Sale of Auto	6,248.00	272,226.36	4,000.00
Other Expenses	(1,500.00)	(65,355.00)	-
Total Other Income	65,687.00	2,861,982.59	82,732.00
Income from Operations before Income Taxes	82,370.00	3,588,860.90	90,553.00
Provision for Income Taxes			
Federal Income Tax-Current	32,212.00	1,403,476.84	29,148.00
State Income tax-Current	12,585.00	548,328.45	14,304.00
Federal Income Tax-Deferred	(22,994.00)	(1,001,848.58)	3,118.00
State Income Tax-Deferred	(8,994.00)	(391,868.58)	1,134.00
Total Provision for Income Tax	12,809.00	558,088.13	47,704.00
Net Income	69,561.00	3,030,772.77	42,849.00
Earnings per Share (13,120 shares)	5.30	230.92	3.27
Statement of Retained Earnings			
Retained Earnings, January 1, 2004	630,273.00	27,574,443.75	568,625.00
Net Income	69,561.00	3,043,293.75	42,849.00
Retained Earnings, December 31, 2004	699,834.00	30,617,737.50	611,474.00

Schedule-1
Analysis of other current liabilities

	As of 31.12.2004 in USD	As of 31.12.2004 in Rs.	As of 31.12.2003 in USD
Accrued vacation leave	74,916	3,277,575.00	77,993
Health Insurance Premium Payable	-	-	3,789
Payroll Taxes Payable	10,464	457,800.00	49,953
Flexible Spending Payable	12,913	564,943.70	12,913
State Income tax Payable	1,070	46,812.50	753
Deferred Tax Liability	-	-	36,233
Accrued Wages & Salaries	74,325	3,251,718.75	-
401K Payable	18,371	803,731.25	-
Customer Deposit	10,000	437,500.00	-
Total Other Current Liabilities	202,059	8,840,081	181,634

Schedule-2
Analysis of Cost of Sales

Consulting Outsourced	4,254,658	185,375,449	2,979,742
Consulting Outsourced-SIL	554,980	24,180,479	611,982
Salaries & Wages - Consultants	3,845,489	167,547,956	3,256,826
Taxes-Payroll-Consultants	320,512	13,964,708	237,583
Per Diem - Consultant	198,219	8,636,402	226,232
Insurance Medical & Dental	162,649	7,086,617	117,137
Out of station allowance	103,365	4,503,613	-
Legal & Immigration-Consultants	42,842	1,866,626	49,371
Moving Expenses-Consultants	1,896	82,609	911
Professional Development	16,616	723,959	8,084
Travel	39,215	1,708,598	17,277
Purchases	355	15,467	62,700
Recruiting	-	-	-
Total Cost of Sales	9,540,796	415,692,482	7,567,845

Schedule-3
Analysis of Selling Expenses

Auto Expenses	1,524	66,401	-
Advertising & Promotional	-	-	126
Salaries & Wages	700,376	30,515,382	603,459
Taxes-Payroll	49,918	2,174,927	46,443
Insurance Medical & Dental	40,021	1,743,715	50,811
Per Diem/Out of Station Allowances	920	40,084	8,612
Total Selling Expenses	792,759	34,540,510	709,451

Schedule-4
General & Administrative Expenses

	As of 31.12.2004 in USD	As of 31.12.2004 in Rs.	As of 31.12.2003 in USD
Auto Expenses	42,578	1,855,123	19,244
Bad debt Expenses	34,245	1,492,055	28,915
Bank Charges	17,658	769,359	2,753
Charitable Contribution	-	-	1,250
Depreciation	66,254	2,886,687	62,432
Dues & Publication	13,120	571,638	13,112
Equipment Rental	1,727	75,245	1,828
Fines & Penalties	-	-	3,245
Frieght & Postage	7,827	341,022	8,716
Internet Access & Web Hosting	9,828	428,206	8,080
Insurance	36,805	1,603,594	40,148
Legal Fees	8,084	352,220	7,260
Meals & Entertainment	15,831	689,757	6,116
Miscellaneous Expenses	12,842	559,526	21,077
Moving Expenses	400	17,428	2,429
Office Expenses	40,015	1,743,454	99,427
Officers Salaries & Wages	170,480	7,427,814	24,185
Outside Services	65,729	2,863,813	28,834
Per Diem/Out of Station Allowances	-	-	172,852
Professional Fees	57,667	2,512,551	79,344
Professional Development	10,683	465,458	9,582
Recruiting	44,410	1,934,944	21,964
Rent	142,413	6,204,934	137,487
Salaries & Wages	179,689	7,829,050	136,646
Supplies	19,570	852,665	125,522
Taxes, Permits & Licenses	5,431	235,629	8,505
Taxes Payroll	17,774	774,413	37,737
Taxes-Property	1,106	48,188	1,150
Taxes State Prior Year	-	-	2,728
Telephone	35,611	1,551,571	37,478
Travel	63,309	2,758,373	78,177
Repairs & Maintenance	209	9,106	-
Staff welfare	460	20,042	-
Utilities	17,662	769,533	-
Total General & Administrative Expenses	1,139,417	49,644,399	1,128,223

STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2004

	Year ended 31-12-2004 (in USD)	Year ended 31-12-2003 (in Rs.)
Cash Flows from Operating Activities		
Net Income	69,561.00	42,849.00
Adjustments to reconcile Net Income to Net Cash Provided by Operations :		
Depreciation	66,254.00	62,432.00
Provision for Bad and Doubtful Accounts	34,245.00	28,915.00
Prior period adjustment	18,799.00	
Changes in Operating Assets & Liabilities:		
Increase in Accounts Receivable	(140,692.00)	(346,747.00)
Increase in Pre paid Expenses	10,916.00	(51,420.00)
Decrease in Employee Advances	6,729.00	12,708.00
Decrease in Deposits	5,000.00	768.00
Increase in Accounts payable	121,605.00	103,962.00
Increase/(Decrease) in Accrued Liabilities	56,341.00	(94,080.00)
Increase/(Decrease) in Income Tax Payable	317.00	(4,046.00)
Decrease in Other Current Liabilities	-	(60,000.00)
Increase in deferred tax asset	(19,510.00)	-
Deferred Tax Liabilities	(31,277.00)	4,252.00
Net Cash Provided by (used in) Operating Activities	198,288.00	(300,407.00)
Cash Flow from Investing Activities :		
Purchase of Property & Equipment	-	(161,949.00)
Sale/(Purchase) of property and equipment	51,831.00	-
Investment in Stock	-	(203,322.00)
Net Cash provided by (used in) Investing Activities	51,831.00	(365,271.00)
Cash Flow from Financing Activities :		
Net Cash Provided by (used in) Financing Activities	-	-
Net Increase (Decrease) in Cash & Cash Equivalents	250,119.00	(665,678.00)
Cash & Cash Equivalents at the Beginning of the year	381,008.00	1,046,686.00
Cash & Cash Equivalents at the end of the Year	631,127.00	381,008.00
Supplementary Disclosure		
Interest paid during the year	-	-
Income Tax paid during the Year	33,212.00	41,915.00

NOTES TO FINANCIAL STATEMENTS

Note - 1 Nature 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

Basis of 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, 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. Occassionally, the Company has cash deposited in two financial institutions 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

Property and Equipments 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 year only 2004 is \$66,254.

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 is 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 Srinivasa Rao Madala , President of the Company , also owns Argonaut General Staffing, a Nevada Corporation.

Softsol Technologies, Inc. (known as STI and formerly Medsoft, Inc.), a Nevada Corporation is owned by **Mrs. Durga Madala**, spouse of **Mr. Srinivasa Rao Madala**. The secretary of STI is **Mr. Madala**.

The Company has entered into professional services agreement with SIL India, SoftSol Technologies, Inc and Argonaut General Staffing Argonaut and STI occupy the office space from the Company. The following are transactions of the Company with these related parties of the year ended December 31, 2004:

Argonaut General Staffing	Amount	%
Rental Income	\$ 18,000	75%
Receivable - Others	18,000	
SoftSol technologies Inc	Amount	%
Rental Income	\$ 6,000.	25%
Receivable - Others	6,000	
SoftSol India Ltd.,	Amount	%
Consulting Outsourced	\$554,980	12%

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
2005	\$ 101,347
2006	\$ 104,632
2007	\$ 107,447
2008	\$ 36,128

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 \$142,413 for years 2004.

Note 5 – Concentration of Credit risk

The majority of cash and cash equivalents are maintained with two major financial institutions in the United States. Deposits with these banks 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 \$6.46 million that accounts for 56% of company's total revenue for the year. Accounts Receivable from Cisco as of December 31, 2004 is \$1,175,851 which is 68% of total balance of account receivable.

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.

As of December 31, 2004, the Company received \$38,906 as full settlement from Ajilon and has written off the remaining balance of \$71,071. Accordingly the Company paid Ajilon the agreed \$15,000.

Note 7 – Employee 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. As of December 31, 2004 the employee advances as balance of \$8,059.

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. 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, 2004, 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 shown in the Statement of Income for the year ended December 31, 2004 is derived in the United States.

The provision for income taxes consisted of the following:

Year Ended	2004
Federal:	
Current	\$ 32,212
Deferred	\$ (22,994)
State:	
Current	\$ 12,585
Deferred	\$ (8,994)
Total Provision for income tax	\$ 12,810

Significant components of the Company's deferred tax assets and liabilities at December 31, 2004, are as follows:

Deferred Tax Assets

Bad Debts Expense in Excess of Tax	\$ 20,593
Deferred State Taxes	\$ (1,083)
Deferred Tax Liability	
Depreciation Expense in Excess of Tax	\$ 4,957

Note 10 – Accrued Payroll/Vacation Leave

Payroll Expenses of \$74,325 for the pay period December 27 to 31, 2004 was accrued.

For the year 2004, the employees are no longer entitled to paid vacation leave. Accrued Vacation balance of \$74,916 as of December 31, 2004 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

The Company had a 401(K) plan known as the SoftSol resources & MedSoft, Inc 401(K) plan (the "plan"). The plan was available to eligible employees through payroll deductions within statutory and plan limits. It was terminated on December 31, 2001. Total accumulated contribution as of December 31, 2004 of \$18,371 is payable to participants.

Note 13 - Flexible Spending

The Company has a voluntary flexible spending plan wherein a certain amount of money opted by the employee at the beginning of the plan year to be 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. The company has \$12,913 as accumulated contribution into this account as of December 31, 2004.

Note 14 - Line of Credit

The Company has an approved line of credit with Silicon Valley Bank (SVB) for \$1.5 million with an interest rate of SVB prime rate plus 1.5% per annum in addition to a collateral landing fees of .25% per month of the gross currently in process. As of December 31, 2004, no loan avilment was made against this line of credit.

Note 15 - Prior Period Adjustment

The balance of retained earnings at the beginning of 2004 has been restated from the balance previously reported to reflect an adjustment of \$18,799 for an overstatement of deferred taxes in prior years. The aggregate effect of correction of error results in an increase of \$18,799 to ending retained earnings at December 31, 2004.

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, 2005, 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, 2004 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, 2005;
- (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 : 20-06-2005

CONSOLIDATED BALANCE SHEET AS AT 31st MARCH'2005

	Schedule No.	As at 31-03-2005 (in Rupees)	As at 31-03-2004 (in Rupees)
I (A) SOURCE OF FUNDS			
1. Share Holder's Funds			
(a) Share Capital	01	190,416,190.00	190,416,190.00
(b) Reserves and Surplus	02	1,056,252,270.45	1,046,534,509.38
2. Loan Funds			
Unsecured Loan	03	-	43,390,000.00
TOTAL		1,246,668,460.45	1,282,340,699.38
II (B) APPLICATION OF FUNDS			
1. Fixed Assets			
a) Gross Block	04	1,000,458,302.02	1,007,994,369.86
Less: Depreciation		47,067,099.31	49,526,108.27
b) Net Block		953,391,202.71	958,468,261.59
Add : Capital Work In Progress		328,802.03	376,184.50
TOTAL		953,720,004.74	958,844,446.09
2. Investments		8,895,337.50	8,822,141.58
3. Current Assets, Loans & Advances	05	328,389,227.21	340,975,954.71
Less : Current Liabilities & Provisions	06	44,336,109.00	32,224,423.00
Net Current Assets		284,053,118.21	308,751,531.71
4. Miscellaneous expenses (to the extent not written off or adjusted)	07	-	5,922,580.00
TOTAL		1,246,668,460.45	1,282,340,699.38
NOTES ON ACCOUNTS	11		

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 : 20-06-2005

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH'2005

	Schedule No.	Current Year 31-03-2005 (in Rupees)	Previous Year 31-03-2004 (in Rupees)
INCOME			
Consulting Income		500,604,268.35	427,365,636.00
Other Income	08	15,665,260.96	17,440,394.94
TOTAL INCOME (A)		516,269,529.31	444,806,030.94
EXPENDITURE			
Personnel Expenses	09	250,875,666.00	227,957,029.55
Operating & Administration Expenses	10	240,843,857.97	189,663,616.37
Financial Charges		909,485.11	542,226.48
TOTAL EXPENDITURE (B)		492,629,009.08	418,162,872.40
PROFIT BEFORE DEPRECIATION & TAX (A-B)		23,640,520.23	26,643,158.54
Depreciation	04	8,284,678.92	9,981,323.82
PROFIT BEFORE TAX		15,355,841.31	16,661,834.72
Public Issue Exp. Written Off		5,922,579.00	5,922,579.00
NET PROFIT BEFORE TAX		9,433,262.31	10,739,255.72
Provision for Taxation		2,758,088.13	5,615,761.60
PROFIT FOR THE YEAR		6,675,174.18	5,123,494.12
Balance brought forward from previous year		222,369,425.63	216,366,558.42
		229,044,599.81	221,490,052.54
AMOUNT AVAILABLE FOR APPROPRIATION		229,044,599.81	221,490,052.54
APPROPRIATIONS			
Transfer to General Reserve		363,188.04	163,213.80
Balance Carried Forward to Balance Sheet		228,681,411.77	21,326,838.74
		229,044,599.81	221,490,052.54
NOTES ON ACCOUNTS	11		

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 : 20-06-2005

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31-03-2005 (in Rupees)	As at 31-03-2004 (in Rupees)		
01. SHARE CAPITAL				
Authorised				
50,000,000 Equity Shares of Rs.10/- each	500,000,000.00	5,00,000,000.00		
Issued				
19,681,430 Equity Shares of Rs.10/- each (Previous year 14,350,00 Equity Shares of Rs.10/- each)	196,814,300.00	196,814,300.00		
Subscribed				
19,455,630 Equity shares Rs.10/- each (Previous year 14,124,200 equity shares of Rs.10/- each)	194,556,300.00	194,556,300.00		
Paid Up Capital				
1,86,27,608 Equity shares of Rs.10/- each	186,276,080.00	186,276,080.00		
28,200 Equity shares of Rs.5/- each party paid up	141,000.00	141,000.00		
	186,417,080.00	186,417,080.00		
Shares Forfeited				
7,99,822 Equity shares of Rs.5/- each	3,999,110.00	3,999,110.00		
TOTAL	190,416,190.00	190,416,190.00		
02. RESERVES AND SURPLUS				
	Opening Balance 01.04.2004	Additions	Deletions	Closing Balance 31.03.2005
Share Premium Account	757,880,730.00	-	-	757,880,730.00
General Reserve :	69,326,940.64	363,188.04	-	69,690,128.68
Profit & Loss Account :				
Balance as per annexed account	222,369,425.63	6,311,986.14	-	228,681,411.77
TOTAL	1,049,577,096.27	6,675,174.18	-	1,056,252,270.45
03. LOANFUNDS			As at 31-03-2005 (in Rupees)	As at 31-03-2004 (in Rupees)
Unsecured Loan		-	43,390,00.00	
Payment due towards Acquisition of Shares of Wholly Owned Subsidiary				
TOTAL		-	43,390,000.00	

04. Fixed Assets

In Rs.

Name of the Assets	GROSS BLOCK AS AT 31-03-2005	ACCUMULATED DEPRECIATION	NET BLOCK AS AT 31-03-2005
Good Will	896,004,053.00	-	896,004,053.00
Land	13,918,306.85	-	13,918,306.85
Building	30,001,692.35	7,476,937.19	22,524,755.16
Computers	3,778,830.00	3,047,879.94	730,950.06
Computers - Imported	9,314,387.15	7,380,508.22	1,933,878.93
Air Condition System	4,342,771.00	2,040,155.15	2,302,615.85
Generator	785,000.00	465,415.27	319,584.73
Lift	741,985.00	437,639.08	304,345.92
UPS	1,426,636.00	505,532.12	921,103.88
Furniture & Fixtures	9,577,949.60	5,094,881.02	4,483,068.58
Electrical Installation	4,940,281.07	2,825,984.41	2,114,296.66
Office Equipment	1,005,255.98	295,367.29	709,888.69
Office Equipment - Imp	463,644.52	165,529.63	298,114.89
Canteen Equipment	61,040.00	33,496.00	27,543.45
Motor & Borewell	99,794.00	63,591.23	36,202.77
Vehicles	2,546,411.00	1,561,611.43	984,799.57
Xerox Machine - Imp	195,685.00	105,884.89	89,800.11
Library	18,592.00	10,323.39	8,268.61
Subsidiary's asset	21,235,987.50	15,556,362.50	5,679,625.00
TOTAL	1,000,458,302.02	47,067,099.31	953,391,202.71

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31-03-2005 (in Rupees)	As at 31-03-2004 (in Rupees)
05. CURRENT ASSETS, LOANS AND ADVANCES		
(A) CURRENT ASSETS		
Cash and cash equivalents		
Accounts receivable	77,048,343.75	73,393,534.50
less: allowance for doubtful debts	(2,310,087.50)	(3,889,002.31)
Cash in Hand	27,614,945.80	16,537,746.78
BANK BALANCES		
With Scheduled Banks :		
in Current Accounts	22,128,520.72	12,611,578.77
in Fixed Deposits	181,252,129.00	222,433,420.00
Unclaim Dividend -Corp.Bank	1,424,632.00	1,454,586.00
TOTAL (A)	307,158,483.77	322,541,863.74
(B) LOANS AND ADVANCES		
(Advances recoverable in cash or in kind or for value to be received)		
Advances for capital works	52,677.00	-
Deposits	967,046.00	1,033,765.48
Prepaid Expenditure	2,786,136.09	2,254,115.61
Intercorporate Loan	1,543,800.00	1,543,800.00
Employee Travel Advances	352,581.25	641,651.32
Advance Income Tax	11,032,190.28	5,080,844.03
Tax Deducted at Source	2,834,574.17	7,836,554.53
Interest Accrued but not due	362,004.50	18,360.00
Differed tax asset	853,562.50	-
Advance for Expenses	446,171.65	25,000.00
TOTAL (B)	21,230,743.44	18,434,090.97
TOTAL (A + B)	328,389,227.21	340,975,954.71
06. CURRENT LIABILITIES & PROVISIONS		
Current Liabilities		
Accounts payable-trade	24,029,600.00	18,555,429.77
Accounts payable-others	437,500.00	-
Liabilities for Expenses	12,302,350.00	7,026,461.72
Other Liabilities	-	69,737.67
Provisions		
Provision for Taxation	5,650,000.00	3,450,000.00
Provision for Gratuity	275,158.00	96,058.00
Unclaimed Dividend	1,424,632.00	1,454,586.00
Deferred Tax Liability	216,868.75	1,572,149.84
TOTAL	44,336,109.00	32,224,423.00

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31-03-2005 (in Rupees)	As at 31-03-2004 (in Rupees)
07. MISCELLANEOUS EXPENSES		
(To the extent not written off)		
Public Issue Expenses	-	3,483,740.00
Brokerage & Commission	-	2,438,840.00
TOTAL	-	5,922,580.00

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

	Current Year (in Rupees)	Previous Year (in Rupees)
08. OTHER INCOME		
Interest on Fixed Deposits	597,678.29	8,380,946.79
Interest received	100,283.00	182,027.00
Income from Mutual fund	5,350,193.35	5,190,844.35
Rental Income	6,618,643.00	1,952,200.00
Gain on sale of assets	272,225.36	181,600.00
Short term Capital gain	2,153,260.23	-
Other Income	572,977.73	1,552,776.80
TOTAL	15,665,260.96	17,440,394.94
09. PERSONNEL EXPENSES		
Salaries, Wages	10,479,421.00	2,067,360.00
Contribution to PF and other statutory Funds	595,198.00	110,900.00
Staff welfare	503,037.00	127,743.55
Medical Reimbursement	111,462.00	49,539.00
Bonus	117,000.00	17,740.00
Subsidiary's Personnel expenses	239,069,548.00	225,583,747.00
TOTAL	250,875,666.00	227,957,029.55

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

	Year ended 31-03-2005 (in Rupees)	Year ended 31-03-2004 (in Rupees)
10. OPERATING AND ADMINISTRATION EXPENSES		
Rent, Rates & Taxes	7,186,252.00	7,201,459.00
Consulting Charges	180,129,993.60	147,795,405.68
Repairs & Maintenance		
-On Equipment	192,536.00	994,662.80
-Building Maintenance	131,901.00	45,955.00
-Others	2,453,879.05	449,206.08
Advertisement	157,677.00	102,464.40
Recruitment Expenses	5,770,941.00	1,921,942.00
Communication Charges	2,330,794.00	2,538,467.65
Printing & Stationery	199,577.00	201,262.50
S T P I - Service Charges	50,000.00	150,000.00
Directors Remuneration		
-Salaries	787,500.00	558,000.00
-Gratuity	28,385.00	26,827.00
-Provident Fund	57,600.00	57,600.00
Director's Sitting Fee	62,000.00	54,000.00
Auditors Remuneration		
-Audit Fee	33,060.00	30,000.00
-Tax Audit	11,020.00	10,000.00
-Other Services	16,120.00	10,000.00
-Incidental Expenses	949.00	5,000.00
Legal & Professional Services	21,237,474.00	5,659,192.20
Travelling expenses		
-Director's	256,037.00	617,171.40
-Others	5,343,575.00	4,562,325.30
Onsite Expenses	-	-
General Expenses	4,192,809.04	9,921,441.80
Electricity Charges	440,638.88	638,012.44
Conveyance	323,400.50	232,183.00
Books & Periodicals	584,693.00	614,293.80
Business Promotion	20,293.00	93,169.20
Security Service Charges	119,592.00	214,528.00
Loss from Investment With Mutual Funds	6,719.00	85,300.48
Soft Link Charges	1,814,721.30	1,308,470.41
Assets Written off	3,444,019.02	-
Donations	10,000.00	57,866.00
Registration & Filing Fee	3,520.00	1,000.00
ISO Expenses	26,452.00	38,391.00
Insurance	1,940,195.56	2,069,181.84
Bad Debts Written Off	1,492,055.00	1,312,741.00
Loss on exchange fluctuation	(12,520.98)	86,126.39
TOTAL	240,843,857.97	189,663,616.37

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2005

	Year ended 31-03-2005 (Rs. in Lakhs)	Year ended 31-03-2004 (Rs. in Lakhs)
A CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before Tax and Extraordinary Items	94.33	107.39
Adjustments for :		
Depreciation	82.85	99.81
Interest ,Dividend etc., received	(60.48)	(137.27)
Preliminary Expenses W/off	59.23	59.23
Assets written off	0.06	0.85
Loss from Sale of Mutual Funds	34.44	-
Profit on sale of assets		(1.82)
Operating Profit before Working Capital changes	210.43	127.93
Adjustments for Working Capital:		
Receivables	(36.55)	(87.54)
Current Liabilities	99.42	(66.71)
Loans & Advances	(34.98)	(2.96)
Net Cash flow from Operating Activities	238.31	(29.28)
B CASH FLOW FROM INVESTING ACTIVITIES :		
Interest , Dividend etc., received	57.05	137.96
Purchase of Fixed Assets	(66.11)	(249.81)
Loss from Sale of Mutual Finds	(0.06)	-
Sale of Fixed Assets	5.16	9.73
Income Tax Paid	(5.58)	(21.66)
Investments	(0.73)	(88.22)
Net Cash flow from Investing Activities	(10.28)	(212.00)
C CASH FLOW FROM FINANCING ACTIVITIES :		
Unsecured Loan	(433.90)	(512.35)
Dividend Paid	(0.30)	(171.75)
Net Cash flow from Financing Activities	(434.20)	(684.10)
Net Increase in Cash and Cash Equivalents	(206.17)	(925.38)
Opening Cash and Cash Equivalents	2,530.37	3,455.75
Closing Cash and Cash Equivalents	2,324.20	2,530.37
	(206.17)	(925.38)

For Balarami & Nagarjuna
Chartered Accountants

sd/-
(G.Pulla Reddy)
Partner

For and on behalf of the Board
of SoftSol India Limited

Sd/-
(Bhaskar Rao Madala)
Whole-time Director

Place : Hyderabad
Date : 20-06-2005

Schedule – 11 Statement of Significant Accounting policies and Notes forming part of the consolidated accounts for the year ended March 31, 2005.**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 determined 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 March31, 2005 and subsidiary company is December 31, 2004.

Investments

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

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) 5574-7704, Facsimile : +91(40)5574-7705
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 15th Annual General Meeting of the company held on Friday the 30th Day of September 2005 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

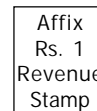
Regd. Off.: Plot No.4, Infocity, Madhapur, Hyderabad - 500 033.
Tel : +91 (40) 5574-7704, Facsimile : +91(40)5574-7705
e-mail : softsol@softsolindia.com

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 15th Annual General Meeting to be held on Friday, the 30th September, 2005 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 2005.



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.