

SoftSol India Limited

Board of Directors	Mr. Srinivasa Rao Madala Mr. Bhaskar Rao Madala Dr. T. Hanuman Chowdary Mr. Shanker Trivedi Mr. B. S. Srinivasan	Chairman Whole time Director Director Director Director
Company Secretary	Mrs. Chavali Lalitha	
Statutory Auditors	Brahmayya & Co., Chartered Accountants, Hyderabad.	
Internal Auditors	Balarami & Nagarjuna, Chartered Accountants, Hyderabad.	
Bankers	ICICI Bank Limited, Madhapur, Hyderabad AXIS Bank Limited, Begumpet, Hyderabad AXIS Bank Limited, Dwarakanagar, Visakhapatnam. State Bank of India, Madhapur, Hyderabad.	
Registered Office	Plot No. 4, Infocity, Madhapur, Hyderabad - 500 033 Telephone: + 91 (40) 30719500 Facsimile: + 91 (40) 30784306 E-mail: softsol@softsolindia.com Website: www.softsolindia.com	
Registrars & Share Transfer Agent	Karvy Computershare Private Ltd. KARVY House, Road No. 1, Banjara Hills, Hyderabad - 500 034 Tel: + 91 (40) 23326591, Facsimile: +91 (40) 23311968	

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Letter to Shareholders

Dear Members,

I take pleasure in presenting the Seventeenth Annual Report of your Company. I use this opportunity to present our accomplishments and what we hope to do in the future.



First, let me state that the current years accomplishments are very good. Your company had consolidated revenues of Rs. 73.34 Crores reflecting a 14% increase over previous year, and Rs. 7.91 Crores profit before taxes reflecting a 117% increase over previous year.

Further, we have successfully added 4 new world-class customers each providing multi-million dollar multi-year contracts. We have successfully completed some of these milestones and press releases were issued by the customers in certain cases testifying to our quality of our work and our ability to gain the trust of well-known large organizations around the world for their mission critical projects. The benefits of these relationships are likely to continue to future years and result in improved financial results and improvement in Shareholder value for SoftSol.

A strong and growing company needs talented people. We have added more than 250 new members to our employee base during this year. These include well qualified and professional managers, technical team leads and software engineers some of whom have earlier worked for leading companies here and abroad, and have brought a great deal of specialized expertise with them. I am proud to share with you that not only our team delivered excellent quality work for our clients, but also developed, improved and perfected certain processes, specialized tools, methodologies and best practices that are relevant for the area of our specialization, namely, Enterprise Technology Modernization. We are also creating Intellectual property as we perform our normal work. Once again this will improve profitability, and intrinsic value of our company in the long term.

Our teams have laid the plans for completing the assessment for CMM Level 5 by the middle of 2008 fiscal year. This certification will enable us to bridge gaps between our competition and us as we embark on the next phase of our journey.

On infrastructure front, we completed the 150,000 sq ft. new building for housing our Unit II and have begun operations. The facility involved a cost of about Rs. 30 Crores for its creation. I am pleased to inform you that we are able to do this with out incurring any debt and by using our own funds. This Unit will focus on large technology modernization projects. We are also building a new facility at Vizag and we hope to complete this by the end of March 2008. The estimated cost of Rs. 10 Crores for the Vizag facility will come from our own funds and we will not need out side loans. The new facility at Vizag will complement Hyderabad and act as a hedge for risk mitigation against human resources aspects namely, wage costs, employee retention and hiring.

Our company has been profitable since inception and carried no significant debt. We have maintained a very conservative fiscal discipline so far and have refrained from leveraging. However, in the future we may take advantage of our strong financial position for expansion and/or diversification. These actions, if implemented properly will help us in rapid growth.

Until last year we only had clients from USA, and we have now added significant revenue streams from Europe. This is very positive considering the dollar-rupee exchange rate fluctuations and also for diversifying the client base.

We have taken steps to ensure that all of our resources generate positive returns, whether it is human resources, infrastructure or capital resources.

During the past year our employees have worked hard and have been instrumental in producing the results stated above. Their efforts also helped us in attaining high degree of customer satisfaction, help us attract and hire new people, improve employee morale and enhance company's image. In fact every new customer we worked with was extremely satisfied with the software delivered by our people and has expressed interest in procuring additional services from our company. I want to take this opportunity to thank our employees for their contributions.

The groundwork performed by every one so far will be like a strong foundation for our future and will go a long way. For instance, we have proven our ability to acquire large well-known customers both within USA and Europe. We have also proved our ability to execute large mission critical projects to their satisfaction. The next step for us is to translate these relationships into recurring revenue streams and revenue optimization from such customers. SoftSol will then begin to see a significant change in revenues and profits over the next few years. With the commitment demonstrated by our technical teams, leadership shown by our management teams, cooperation extended by our board, unwavering trust reposed by our clients, the patience and confidence exhibited by our shareholders I am hopeful we will see a very different 2007-2008 than any of the previous years since our company went public.

During the next fiscal year we will see improvement in both the size and quality of our revenues. There are risks such a falling exchange ratio for US dollar to Indian Rupee. However, the productivity gains, and other remedial actions taken by us will most likely offset such risks. Because our projects and engagements are bigger, some have longer sales cycles, and also because many of these contracts include milestone based payments the revenue recognition may not be very regular on quarterly basis, but the final results are likely to be consistent with our projections and have a good chance of far exceeding the projections.

The outlook for next few years is very positive. We have created a niche market for our selves thereby securing certain degree of immunity (although not complete and full) from intense competition and price wars that companies of our size face in the information technology services market place. We will continue to pursue organic growth while also attempt to seek inorganic growth in the same line of business. We will consider diversification should we find an opportunity that is likely to enhance shareholder value.

I want to thank Dr. Durga Madala for serving on the board until now. I also want to thank Mr. Shanker Trivedi for completing 2 years with us on our Board.

Sincerely Yours

Srinivasa Rao Madala
Chairman

Notice of the 17th Annual General Meeting

Notice is hereby given that the Seventeenth Annual General Meeting of the members of SoftSol India Limited will be held on Saturday, the 29th day of September, 2007 at 10.30 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, 2007 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. T. Hanuman Chowdary, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditor and to fix remuneration.

Special Business:

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

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, the consent of the members be and is hereby accorded for the increase in remuneration of Mr. Bhaskar Rao Madala, Whole time Director of the Company for the remaining period of his term up to October 31, 2009, with effective from 1st July 2007. The terms of remuneration are as under:

1. Salary: Rs. 75,000 (Rupees seventy five thousand only) per month.
2. Perquisites and Allowances not exceeding basic salary per month:
 - a) House Rent Allowance: 40% of the Basic Salary.
 - b) Medical Reimbursement: Expenses incurred for self and family subject to the ceiling of Rs.15,000/- per annum.
 - c) Leave Travel Allowance: For Self and family once in a year incurred in accordance with the rules of the Company.
 - d) Club Fees: Fees of clubs subject to a maximum of two clubs excluding admission and life membership fees.
 - e) Personal Accident Insurance: Personal accident Insurance policy for an amount, the annual premium of which shall not exceed Rs.20,000/- per annum.
 - f) Contribution to provident fund, Superannuating and Annuity Fund: As per the rules of the Company applicable to other managerial personnel.
 - g) Gratuity: As per the rules of the Company applicable to the other managerial personnel.
 - h) Leave: Entitled to avail leave with full pay or encashment thereof as per the rules of the Company applicable to the other managerial personnel.

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

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

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

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

“RESOLVED THAT in accordance with the provisions contained in the Articles of Association and Section 79A, 81 and all other applicable provisions of the Companies Act 1956 (“the Act”) and the provisions contained in the Securities & Exchange Board of India (Employees Stock Option Scheme) and (Employees Stock Purchase Scheme) guidelines 1999 (“the Guidelines”) (including any statutory modification (s) or re-enactment of the Act or the Guidelines, for the time being in force and subject to such approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as “the Board” which terms shall be deemed to include any committee including ESOP Compensation Committee which the Board may constitute to Exercise its power, including the powers conferred by this resolution) consent of the Company be and hereby accorded to the Board to create, offer, issue and allot at any time to or for the benefit of such person (s) who are in permanent employment of the Company including Directors of the Company, whether working in India or out of India under a Scheme titled “Employee Stock Option Plan” (hereinafter referred to as the “ESOP” or “Scheme” or “Plan”) such number of equity shares and/or equity linked instruments (including Options), (hereinafter collectively referred to as “Securities”) of the company which could give rise to the issue of equity shares not exceeding 12,00,000 equity shares, at such price in one or more tranches and on such terms and conditions as may be fixed or determined by the Board in accordance with the Guidelines or other provisions of the law as may be fixed or determined by the Board in accordance with the Guidelines or other provisions of the law as may be prevailing at that time;

“RESOLVED FURTHER THAT the said securities may be allotted directly to such employees/Directors or in accordance with a scheme framed in that behalf through a trust which may be set up in any permissible manner and that the scheme may also envisage for providing any financial assistance to the trust to enable the employee/trust to acquire, purchase or subscribe to the securities of the Company”.

“RESOLVED FURTHER THAT the equity shares to be issued and allotted by the Company in manner aforesaid shall rank pari passu in respects with the then existing equity shares of the Company: except that they shall be entitled for the dividend on pro rata basis from the date of allotment till the end of the relevant financial year in which the new shares are allotted:”

“RESOLVED FURTHER THAT for the purpose of giving effect to any creation, offer, issue, allotment or listing of securities, the Board be and hereby authorized on behalf the Company to evolve, decide upon and bring in to effect the scheme and make any modification, changes, variations, alterations or revisions in the said scheme from time to time or to suspend, withdrawal or revive the scheme from time to time as may be specified by any statutory authority and to do all such acts, deeds, matters and thinks, as it may in its absolute discretion deem fit or necessary or desirable for such purpose and with the power on behalf of the company to settle any questions, difficulties or doubts that may arise in this regard without requiring the Board to secure any further consent or approval of the members of the Company”.

6. Employee Stock Option Scheme for the subsidiary Company employees.

To Consider and if thought fit to pass with or without modification the following resolution as a Special Resolution:

“RESOLVED THAT in accordance with the provisions contained in the Articles of Association and Section 79A, 81 and all other applicable provisions of the Companies Act, 1956(“the Act”) and the provisions contained in the Securities and Exchange Board of India (Employee Stock Option Scheme) and (Employee Stock Purchase Scheme) Guidelines, 1999(“the Guidelines”) (including any statutory modification(s) or re-enactment of the Act or the Guidelines, for the time being in force) and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while Granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as “the Board” which term shall be deemed to include any Committee including ESOP Compensation Committee which the Board may constitute to Exercise its powers, including the powers conferred by this resolution) consent of the Company be and is hereby accorded to the Board to extend the benefits of Employee Stock Option Plan proposed in the resolution under Item No.5 in this Notice to the eligible employee/ other persons of the subsidiary company whether working in India or out of India and directors of the subsidiary company, as may from time to time be allowed under prevailing laws, rules and regulations, and /or amendments thereto from time to time, on such terms and conditions as may be decided by the Board”.

“RESOLVED FURTHER THAT for the purpose of giving effect to any creation, offer, issue, allotment or listing of Securities, the Board be and is hereby authorized on behalf of the Company to evolve, decide upon and bring into effect the Scheme and make any modifications, changes, variations, alternations or versions in the said Scheme from time to time or to suspend, withdraw or revive the Scheme from time to time as may be specified by any statutory authority and to do all such acts, deeds, matters and things as it may in its absolute discretion deem fit or necessary or desirable for such purpose and with power on behalf of the Company to settle any questions, difficulties, or doubts that may arise in this regard without requiring the Board to secure any further consent or approval of the members of the Company”.

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

“RESOLVED THAT pursuant to the provisions of Section 81 and all other applicable provisions of the Companies Act, 1956(including any statutory modification(s) or re-enactment thereof, for the time being in force) and pursuant to relevant provisions of the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 (“Guidelines”) as in force and subject to all other applicable rules, regulations and guidelines of the Securities and Exchange Board of India (“SEBI”), the applicable provisions of Foreign Exchange Management Act, 1999 (“FEMA”), Foreign Exchange Management (Transfer or issue of Security by a Person Resident Outside India) Regulations, 2000, Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993 and enabling provisions of the Memorandum and Articles of Association of the Company and the Listing Agreements entered into by the Company with the Stock Exchanges where the shares of the Company are listed, and subject to requisite approvals, consents, permissions and/or sanctions of SEBI, the Stock Exchanges, Reserve Bank of India (“RBI”), and all other authorities as may be required, whether in India or outside India, (hereinafter collectively referred to as “Appropriate Authorities”), and subject to such conditions as may be prescribed by any of them while granting any such approval, consent, permission, and/or sanction (hereinafter referred to as” Requisite Approvals”), which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the’ Board’ which term shall be deemed to include any Committee thereof which the Board may have constituted or hereinafter constitute to exercise its powers including the powers conferred by this resolution), the consent of the Members of the Company be and is hereby accorded to the Board at their absolute discretion to create, offer, issue and allot in one or more tranches, in the course of domestic/international offerings to Domestic/Foreign Investors/Institutional Investors/Foreign Institutional Investors, Trusts, Mutual Funds, Banks, Financial Institutions, Insurance Companies, Pension Funds, retail public or otherwise, whether Members of the Company or not, such number of American Depository Receipts (ADRs)/Global Depository Receipts (GDRs), Foreign Currency Convertible Bonds(FCCBs), with or without a green shoe option, Equity Shares and/or Equity Shares (through Depository Receipt Mechanism or directly to investors) and/or any other financial instruments convertible into Equity Shares or otherwise, in registered or bearer form and/or

any security convertible into Equity Shares, securities, linked to Equity Shares and/or securities with or without detachable warrants with right exercisable by the warrant holders to convert or subscribe to Equity Shares (all of which are hereinafter collectively referred to as "Securities") or any combination of Securities secured or unsecured, whether listed on any stock exchange inside India or any international stock exchange outside India, through public issue(s) of prospectus, private placement(s), or a combination thereof, as the Board in its sole discretion may at any time or times hereafter decide, for an amount not exceeding Rs.150 Crores (Rupees One Hundred and Fifty Crores) or equivalent in any other foreign currency, inclusive of such premium as may be decided from time to time."

"RESOLVED FURTHER THAT in case of any equity linked issue/offering, including, without limitation, any Equity shares, (ADRs)/GDRs/FCCBs, and such other securities convertible into equity shares, consent of the Members of the Company be and is hereby accorded to the Board to issue and allot such equity shares for an amount not exceeding Rs.150 Crores (Rupees One Hundred and Fifty Crores) or equivalent in any other foreign currency, as may be required to be issued and allotted upon conversion, redemption or cancellation of any such Securities referred to above or as may be in accordance with the terms of issue/offering in respect of such Securities and such equity shares shall rank pari passu with the existing equity shares of the Company in all respects except provided otherwise under the terms of issue/offering and in the offer document and/or prospectus and/or offer letter and/or offering circular and/or listing particulars."

"RESOLVED FURTHER THAT the Company and/or any entity, agency or body authorized and/or appointed by the Board, may issue depository receipts representing the underlying Securities issued by the Company in negotiable, registered or bearer form with such features and attributes as are prevalent in international capital markets for instruments of this nature and to provide for the tradability and free transferability thereof as per international practices and regulations (including listing on one or more stock exchange(s) inside or outside India) and under the forms and practices prevalent in the international market."

"RESOLVED FURTHER THAT for the purpose of giving effect to the above, the consent of the Members of the Company be and is hereby accorded to the Board, in consultation with the Lead Managers, Underwriters, Advisors and/or other persons as appointed for the purpose, to determine the form, terms and timing of the issue(s)/offering(s) including the investors to whom the Securities are to be allotted, issue price, face value, number of equity shares or other securities upon conversion or redemption or cancellation of the Securities, the price, premium or discount on issue/conversion of securities, rate of interest, period of conversion, listing on one or more Stock Exchanges in India and/or abroad and fixing of record date or book closure and related or incidental matters, as the Board in its absolute discretion deem fit and accept any modifications in the proposal as may be required by the authorities in such issues in India and/or abroad."

"RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board is authorized on behalf of the Company to take all actions and to do all such deeds, matters and things as it may, in its absolute discretion, deem necessary, desirable or expedient to the issue or allotment of the aforesaid Securities and listing thereof with the stock exchange(s) where the Company's shares are listed or proposed to be listed and to resolve and settle all questions and difficulties that may arise in the proposed issue, offer and allotment of any of the aforesaid Securities, utilization of the issue proceeds and to do all acts, deeds and things in connection therewith and incidental thereto as the Board may in its absolute discretion deem fit, without being required to seek any further consent or approval of the Members or otherwise to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution."

“RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of the powers conferred by this resolution on it, to any Committee of Directors or the Chairman or any other Director(s) or officer(s) of the Company to give effect to the aforesaid resolution.”

On behalf of Board of Directors

Place: Hyderabad
Date: 27-07-2007

Bhaskar Rao Madala
Whole-time Director

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. Proxies in order to be effective must be received by the Company, not less than 48 hours before the commencement of the meeting.
- (b) The Register of Members and the Share Transfer Books will remain closed from 26-09-2007 to 29-09-2007, both days inclusive.
- (c) Members / Proxies are requested to bring annual report along with the attendance slip filled in for attending the meeting.
- (d) M/s. Karvy Computershare Private Limited, Karvy House, Road No. 1, Banjara Hills, Hyderabad – 500 034 is the Registrar and Share Transfer Agent (RTA) for the physical shares of the Company and also the depository interface of the Company with both NSDL and CDSL. Share Transfer documents and all correspondence relating thereto, should be addressed to the RTA.
- (e) Members desiring any information as regards the Accounts are requested to write to the Company at an early date so as to enable the Management to keep the information ready at the meeting.

Explanatory Statement, as required under Section 173 of the Companies Act, 1956.

Item No.4

Mr. Bhaskar Rao Madala was re-appointed as Whole-time Director of the Company at 14th Annual General Meeting held on 30th September 2004 for a further period of five years i.e up to October 31, 2009. The Remuneration Committee and the Board of Directors of the company in its meeting held on July 27, 2007 recommended increase in remuneration of the Whole-time director in salary from the existing Rs. 50,000/- to Rs. 75,000/- per month for the remaining period of his term up to October 31, 2009. The other terms of his remuneration are as per the original resolution passed on 30th September 2004.

Mr. Bhaskar Rao Madala is a graduate in Science and bachelor of education. He holds 30 years of experience in teaching and retired as High School Head master. He is an authorized representative and signatory of the Company for complete affairs of the Company since last seven years.

Your directors recommend the resolution as set out in Item No.4 of the notice for approval of the members.

No director other than Mr. Bhaskar Rao Madala and Mr. Srinivasa Rao Madala Promoter director is, in any way, concerned or interested in this Resolution.

Item No. 5 & 6

Your Directors in due appreciation of the contribution made by employees of the Company and the Subsidiary Company, propose to introduce Employee Stock Option Scheme (ESOS) in accordance with SEBI Guidelines.

The ESOS will be for the benefit of permanent employees of the Company and the Subsidiary Company. However, an employee who is a promoter or belongs to the promoter group shall not be eligible to participate in the ESOS and also a Director who either by himself or through any body corporate, directly or indirectly holds more than 10% of the outstanding equity shares of the company shall not be eligible to participate in the ESOS.

The Scheme

Under the scheme the employees will be given an option to acquire a certain number of shares of the face value of Rs.10/- each at the price to be determined by the Compensation Committee.

Compensation committee

No ESOS shall be offered unless the disclosures as specified are made by the company to the prospective option grantees and the company constitutes a compensation committee for administration and superintendence of the ESOS. The Committee shall be a Committee of Board of Directors consisting of a majority of independent directors.

The committee shall formulate the detailed terms and conditions of the ESOS including:

- (a) The quantity of option to be granted under an ESOS per employee and in aggregate.
- (b) The conditions under which option vested in employees may lapse in case of termination of employment for misconduct.
- (c) The exercise period within which the employee should exercise the option and that option would lapse on failure to exercise the option within the exercise period.
- (d) The specified time period within which the employee shall exercise the vested options in the event of termination or resignation of an employee.
- (e) The right of an employee to exercise all the options vested in him at one time or at various points of time within the exercise period.
- (f) The procedure for making a fair and reasonable adjustment to the number of options and to the exercise price in case of corporate actions such as rights issues, bonus issues, merger, sale of division and others.

The compensation committee shall frame suitable policies and systems to ensure that there is no violation of SEBI (Insider Trading) Regulations, 1992 and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 1995, by any employee.

Shareholders approval

No ESOS can be offered to employees of a company unless the shareholders of the company approve the ESOS by passing a special Resolution in the general meeting.

As per the Employee Stock Option Scheme and Employee stock Purchase Scheme Guidelines 1999, issued by SEBI (amended from time to time), the following information shall be furnished to the shareholders.

1. Total Options to be granted:

The maximum number of shares which shall be subject to Options under the Plan shall be 12,00,000 Equity shares of Rs. 10/- each..

2. Identification of the classes of employees entitled to participate in the ESOS:

The Company proposes to introduce the stock option scheme for the benefit of the permanent employees of the Company. However, an employee who is a promoter or belongs to the promoter group shall not be eligible to participate in the ESOS and also a Director who either by himself or through any body corporate, directly or indirectly holds more than 10% of the outstanding equity shares of the company shall not be eligible to participate in the ESOS.

3. Requirements of vesting and Period of vesting

The Compensation Committee may, on such dates as it shall determine, Grant to such Eligible Employees as it may in its absolute discretion select, Options of the Company on the terms and conditions and for the consideration as it may decide.

4. Maximum Period with in which the option shall be Vested

Vesting of options may commence after a period of 1 year from the date of Grant, and may extend up to 4 years from the date of Grant. The Vesting may occur in tranches, subject to the term and conditions of Vesting as may be stipulated by the compensation committee in its discretion and which will include performance appraisal of the employee.

5. Exercise Price

The equity shares would be issued to the eligible employees based on the closing market price on the Stock Exchange that records the highest trading volume on the grant date.

6. Exercise period and the process of Exercise.

The Exercise period may commence from the Date of vesting and will expire not later than 4 years from the date of Grant of options and such other period as may be decided by the compensation committee from time to time.

The option shall be deemed to Exercised when the Company receives in writing or electronic notice of Exercise in the prescribed forms from the person entitled to Exercise the Option.

The options will lapse if not exercised within the specified exercise period.

7. Appraisal process for determining the eligibility of the employee to ESOP

The appraisal process for determining the eligibility of the employee will be specified by the Compensation Committee, and will be based on criteria such as the seniority of the employee, length of service, performance record, merit of the employee, future potential contribution by the employee and/ or any such other criteria that may be determined by the compensation committee at its sole discretion.

8. Maximum number of options/Shares to be issued per employee and in aggregate.

The maximum number of options Granted to an employee shall not be more than or equaling to 50,000 Equity Shares of the Company.

As the Scheme will entail further shares to be offered to persons other than existing shareholders of the Company, consent of the members is sought pursuant to the provisions of Section 81(1A) and all other applicable provisions, if any, of the Act, and as per the requirement of clause 6 of the Guidelines.

None of the Director of the Company is, in any way, concerned or interested in the resolution, except to the extent of the securities that may be offered to them under the Schemes.

9. Confirmation of Accounting Policies stipulated in the Guidelines.

The Company shall conform to the accounting policies stipulated by the SEBI Guidelines or any other appropriate authority as are applicable to the account of Options granted under this Plan.

10. The method used for valuing the options – Fair Value or Intrinsic Value.

The company shall use intrinsic value for valuing the options.

“In case the company calculates the Employee Compensation cost using the intrinsic value of the stock options the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options shall be disclosed in the Directors Report and also the impact of this difference on profits and on EPS of the Company shall also be disclosed in the Directors Report.”

Pursuant to the provision of Section 81(1A) and other applicable provisions of the Companies Act, 1956 and as per the SEBI Guidelines, consent of members, by way of Special Resolution is required for the issue of shares to employees, who may or may not be existing shareholders.

Hence, the Board of Directors recommends the resolution for approval of Members.

Except the Directors who would be eligible to avail the benefit of the Plan, none of the Directors are interested and concerned in the resolution.

Item No. 7

To augment the funding needs of the Company for (i) Capital Expenditure (ii) New Product development (iii) Setting up of owned facilities (iv) Acquisition of businesses and (v) Working Capital and general corporate requirements, your Company is proposing to issue Equity Shares, (ADRs)/GDRs, FCCBs, and such other securities convertible into equity shares or a combination thereof and for the purpose seek your approval to the resolutions proposed.

For the above purposes, your Company plans to raise up to Rs.150 Crores (Rupees One hundred and fifty crores) or its equivalent in any other foreign currency through a combination of equity/quasi equity instruments and therefore proposes

issue of Equity Shares, (ADRs)/GDRs, FCCBs, and such other securities convertible into equity shares or a combination thereof. The actual composition of various instruments will be decided by the Company in consultation with the Merchant Bankers / Investment Bankers and as per the requirements of the funds from time to time and such offer shall be made to any person including Domestic/ Foreign Investors /Foreign Institutional Investors, Qualified Institutional Buyers, Trusts, Mutual Funds, Banks, Insurance Companies, Pension Funds, retail public, whether members of the Company or not, at a price which shall not be lower than the price as prescribed under applicable guidelines, if any. The relevant date for computation of such minimum price shall be August 29, 2007 i.e 30 days prior to the date on which the General Meeting of the Company is being held i.e. September 29, 2007.

Accordingly, the consent of the members is being sought, pursuant to the provisions of Section 81 (1A) and other applicable provisions of the Companies Act, 1956, and SEBI (Disclosure and Investor Protection) Guidelines, 2000, and in terms of the provisions of the Listing Agreements, to issue and allot equity shares as stated in the Special Resolution.

The Board of Directors recommends the resolution set out at Item No. 7 of the notice for the approval of the members.

None of the Directors of the Company is, in any way, concerned or interested in the Resolutions.

On behalf of Board of Directors

Place: Hyderabad
Date: 27-07-2007

Bhaskar Rao Madala
Whole-time Director

Brief resume of Director retiring by rotation seeking re-appointment at this Annual General Meeting

Name of the Director	Dr. T. Hanuman Chowdary
Date of Birth	18-10-1931
Date of appointment	02-07-1999
Qualifications	B. E (Bachelor of Engineering)
Expertise in specific functional areas	More than 45 years of experience in Information Technology and Telecommunication Industry.
Directorships held in other Public Companies (excluding foreign companies)	1. Sify Limited 2. Tera Software Limited 3. Energy Leader Batteries India Limited
Memberships/ Chairmanships of committees across public companies (Including SoftSol) (excluding foreign companies)	Four
Shareholding in the Company	Nil

Director's Report

Dear Members of
SoftSol India Limited

The Directors present their Seventeenth Annual Report and the Audited Statement of Accounts for the year ended March 31, 2007.

Financial Results

	2006-07	<i>(Rs .in lakhs)</i> 2005-06
Gross Revenue	1283.07	645.37
Total Expenditure	516.39	393.46
Operating Profit	870.20	251.91
Other Income	103.52	125.57
Interest	Nil	Nil
Depreciation	97.87	45.45
Profit before Tax	766.79	332.04
Provision for Taxation	285.98	20.00
Profit after Tax	480.80	312.04
Earning per Share (Rs.)	2.58	1.68

Review of Operations

During the year under review, your Company recorded income of Rs. 1283.07 Lakhs from export of software in comparison with previous year's income of Rs. 645.37 Lakhs. Your company achieved net profit of Rs. 480.80 Lakhs for the year 2007 in comparison with the previous year's net profit of Rs. 312.03 Lakhs.

SoftSol Resources Inc., (SRI) a wholly owned subsidiary of your Company, recorded total revenue of US\$ 14.60 Millions in comparison with the previous year's revenue of US\$ 14.57 Millions. SRI recorded net profit of US\$ 27,507 for the year 2006 in comparison with the previous year's net profit of US\$ 23,952.

Management Discussions and Analysis Report

Management Discussions and Analysis Report, as required under the Listing Agreement with the Stock Exchanges is forms part of the Report.

Dividend

In view of growth opportunities available to the Company, your directors recommend plough back of all profits. Consequently, there will be no dividend outflow from the Company.

Directors:

As per the provisions of the Companies Act, 1956 read with Articles of Association of the Company, Dr. T. Hanuman Chowdary, retire by rotation and being eligible offer himself for re-appointment at this Annual General Meeting.

Dr. Durga VLK Madala, resigned from the directorship of the Company due to her pre-occupations and the Board accepted her resignation with effect from July 27, 2007. The Board placed on record its appreciation for the valuable contributions made by her.

Corporate Governance:

A report on Corporate Governance along-with the Certificate of the practising Company Secretary confirming compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement, forms part of the Report.

Listing at Stock Exchange:

The Equity Shares of the Company continue to be listed on Bombay Stock Exchange Limited and the annual listing fees for the year 2006-2007 have been paid to the Exchange.

Auditors:

M/s. Brahmayya & Co., Chartered Accountants, retire as Auditors of the Company at the conclusion of the Annual General Meeting and being eligible, offer themselves for re-appointment as Auditors.

Fixed Deposits

Your Company has not accepted/invited any deposits from the Public for the year under review within the meaning of Section 58A of the Companies Act, 1956 and the rules made there under.

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, Technology Absorption, Foreign Exchange earnings and Outgo:**

- a) Conservation of Energy: The operations of the Company involve low energy consumption. Adequate measures have, however, been taken to conserve energy.
- b) Technology Absorption: Since business and technologies are changing constantly, investment in research and development activities is of paramount importance. Your Company continues its focus on quality up gradation of product and services development.
- c) Foreign Exchange earnings and outgo: Total foreign exchange earnings during the year were Rs. 1283.07 Lakhs (Previous year Rs.645.37 Lakhs) and foreign exchange outgo was Rs. 253.06 Lakhs (previous year Rs. 13.96 Lakhs).

Particulars of Employees:

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is not required as no employee falls under the category.

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.

On behalf of the Board of Directors

Place: Hyderabad
Date: 27-07-2007

Bhaskar Rao Madala
Whole time Director

Report on Corporate Governance

1. Company's Philosophy on Corporate Governance

The Company's philosophy on Corporate Governance lays strong emphasis on transparency, accountability and integrity. SoftSol has complied with the requirements of the Corporate Governance Code in terms of Clause 49 of the Listing Agreement with the Stock Exchange as disclosed here in below:

2. Board of Directors

Composition of the Board:

The Company has an optimum combination of Executive and Non-Executive Directors. The Chairman is a Non-Executive Director and the number of Independent Non-Executive Directors is more than one third of the Board's strength at any point of time. All Independent Non-Executive Directors comply with the legal requirements of being "Independent." Except the Whole time Director, all other directors are liable to retire by rotation as per the provisions of the Companies Act, 1956.

The composition of the Board of Directors of the Company as on March 31, 2007 is as follows:

Name of the Director	Category	Designation	Directorship in other companies @	Chairmanship in committees of Board of other companies \$	Membership in committees of Board of other companies \$
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	One
Dr. Jayaprakash Narayan #	Independent Non- Executive Director	Director	Nil	Nil	Nil
Mr. Shanker Trivedi	Independent Non- Executive Director	Director	Nil	Nil	Nil
Mr. B.S. Srinivasan *	Independent Non- Executive Director	Director	Nil	Nil	Nil

@ Directorships in private and foreign companies are excluded.

\$ Chairmanship / Membership of only Audit Committee and Shareholders Grievance Committee has been considered.

Ceased to be the Director effective July 12, 2006.

* Appointed as Director effective July 12, 2006.

** Ceased to be the Director with effective July 27, 2007.

Details of Board Meetings and Attendance:

Dates of Board Meetings are fixed in advance and agenda papers are circulated to Directors at least seven days before the meeting.

During the financial year, Board of Directors of the Company met six times on 26-04-2006, 27-06-2006, 12-07-2006, 02-08-2006, 31-10-2006 and 29-01-2007. 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 held on September 29, 2006
Mr. Srinivasa Rao Madala	6	1	Yes
Dr. Durga V.L.K Madala	6	0	No
Mr. Bhaskar Rao Madala	6	6	Yes
Dr. T. Hanuman Chowdary	6	6	Yes
Dr. Jayaprakash Narayan	2	0	No
Mr. Shanker Trivedi	6	0	No
Mr. B.S.Srinivasan	6	6	Yes

Code of Conduct:

The Board has laid down a code of conduct for all Board members and senior management of the Company, which is available on the Company's web-site. All the Board members and senior management of the Company have affirmed compliance with their respective Codes of Conduct for the Financial Year ended March 31, 2007. A declaration to this effect, duly signed by the Whole time Director is annexed hereto.

3. Audit Committee

The Audit Committee of the Company is constituted in line with the provisions of Clause 49 of the Listing Agreement read with Section 292A of the Companies Act, 1956. The terms of reference include:

- a) Overseeing the Company financial reporting process.
- b) Reviewing periodical financial results, financial statements and adequacy of internal control systems.
- c) Approving Internal Audit plans and reviewing efficacy of the function.
- d) Discussion and review of periodic audit reports, and
- d) Discussions with external auditors about the scope of the audit including the observations of the auditors.

Composition and Attendance:

Audit Committee consists of two independent Non-executive Directors and one Executive Director. Members are Dr. T.Hanuman Chowdary, Mr. B.S.Srinivasan and Mr. Bhaskar Rao Madala. Dr. T.Hanuman Chowdary is the Chairman

of the Committee. The Company Secretary acts as the Secretary to the Committee. Members of the Committee are well versed in finance, accounts, company law and general business practices.

During the financial year 2006-07 Audit Committee of the Board of Directors met five times on 27-06-2006, 12-07-2006, 02-08-2006, 31-10-2006 and 29-01-2007. The attendance details of the members of the audit committee is as follows:

Name of the Committee Members	Number of Meetings held	Number of Members Meetings attended
Dr. T. Hanuman Chowdary	5	5
Mr. B. S. Srinivasan	5	5
Mr. Bhaskar Rao Madala \$	3	3
Dr Jayaprakash Narayanan #	2	Nil

\$ Appointed as Members of the Committee effective July 12, 2006

Ceased to be the Member of the Committee effective July 12, 2006.

4. Remuneration Committee

Terms of Reference:

The terms of reference of the Remuneration Committee are:

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

Remuneration Policy:

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. Bhaskar Rao Madala is drawing remuneration from Company. Mr. Bhaskar 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.

Composition and Attendance:

The Remuneration Committee comprises of three non-executive directors. Dr. T.Hanuman Chowdary, Mr. B.S.Srinivasan, and Dr. Durga VLK Madala. Dr.T.Hanuman Chowdary is Chairman of Committee. Mr. Srinivasa Rao Madala was appointed as member of the committee in the place of Dr. Durga VLK Madala on July 27, 2007 due to her resignation.

The details of remuneration and sitting fees paid or provided to each of the Directors during the year 2006-07 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	894,720	Nil	Nil	894,720
Dr. T. Hanuman Chowdary	Director	Nil	Nil	24,000	24,000
Dr. Jayaprakash Narayan	Director	Nil	Nil	Nil	Nil
Mr. Shanker Trivedi	Director	Nil	Nil	Nil	Nil
Mr. B.S.Srinivasan	Director	Nil	Nil	29,000	29,000

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.

5. Share Transfers and Shareholders Grievance Committee

The Share Transfers and Shareholders Grievance Committee comprises of two non-executive independent directors and one executive director. Mr. Bhaskar Rao Madala, Mr. B.S.Srinivasan, Dr. T. Hanuman Chowdary (Chairman). Mrs. Chavali Lalitha, 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:

During the year under review, 4 meetings were held on 03-04-2006, 17-04-2006, 29-04-2006 and 16-06-2006 all the members of the Committee attended all the meetings.

6. General Body Meetings

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

Year/Period	Day, Date and Time	Location
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.
2004-05	Friday, 30 th September 2005 at 11.00 A.M.	At the Registered office of the Company at Plot No.4, Infocity, Madhapur, Hyderabad – 500 033.
2005-06	Friday 29 th September 2006 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 at the 14th AGM held on September 30, 2004 to accord their consent to delist the equity shares of the Company from the Hyderabad Stock Exchange Limited. No special resolution was passed by the shareholders at the last Annual General Meeting. 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. 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 31-03-2007 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 31.03.2007 are:

	31.03.2007 in Rupees	31.03.2006 in Rupees
Sales	9,04,07,798	6,45,36,740
Onsite Expenditure	Nil	Nil
Investment	95,34,10,053	95,34,10,053

No Loans and Advances to Subsidiary Company have been made in the financial year 2006-2007.

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.

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.

The Company has complied with all the applicable mandatory requirements of the revised Clause 49 of the Listing Agreement.

8. Means of Communication

The Company regularly intimates unaudited as well as audited financial results to the Stock Exchanges, immediately after these are taken on record by the Board. These financial results are normally published in Business Standard/Indian Express (English) and Andhra Bhumi/Andhra Prabha/Andhra Jyothi (Telugu) Newspapers and are displayed on the website of the Company www.softsolindia.com and simultaneously posted on the Electronic Data Information Filing and Retrieval (EDIFAR) website, namely www.sebidifar.nic.in. The website is also accessible through a hyperlink 'EDIFAR' from the SEBI's official website, www.sebi.gov.in.

The official news releases and the presentation made to the investors/ analysts are also displayed on the Company's website.

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

9. General Shareholders Information:

Registered Office & address for Correspondence

Plot No. 4, Infocity, Madhapur, Hyderabad – 500 033
Telephone: + 91 (40) 30719500, Facsimile: + 91 (40) 30784306
E-mail: softsol@softsolindia.com, Website: www.softsolindia.com

Annual General Meeting: (Date, Time and Venue)

Saturday, the 29th day of September 2007 at 10.30 A.M. at the Registered Office of the Company.

Financial Calendar

The Company follows April-March as its financial year. The results for every quarter beginning from April are declared in the month following the quarter.

Book Closure

From September 26, 2007 to September 29, 2007 (both days inclusive)

Listing of Shares

The Company shares are listed on The Bombay Stock Exchange Limited and the Company has paid listing fees for the financial year 2006-2007 to the Stock Exchange.

Stock Code/Symbol

The Bombay Stock Exchange Limited - 532344

Share Transfer Agent

Karvy Computershare Private Limited, KARVY House, Road No. 1, Banjara Hills, Hyderabad - 500 034, Tel: + 91 (40) 23326591, Facsimile: +91 (40) 23311968.

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, 2007, no share transfer or complaints were pending.

Shares held in the dematerialised form are electronically traded in the Depository and the Registrars and Share Transfer Agents of the Company periodically receive from the Depository the beneficiary holdings so as to enable them to update their records.

Physical shares received for dematerialization are processed and completed within a period of 21 days from the date of receipt, provided they are in order in every respect. Bad deliveries are immediately returned to Depository Participants under advice to the shareholders.

Dematerialization of Shares

The Shares of the Company are in compulsory demat segment and are available for trading in the depository system of both NSDL and CDSL. As on March 31, 2007 13164253 Equity Shares of the Company forming 70.56 % of the Share Capital of the Company, stand dematerialized.

International Securities Identification Number: INE002B01016.

Market Price Data:

The monthly high and low quotations of shares traded on The Bombay Stock Exchange Limited during each month in the financial year are as follows:

Month	BSE – High	BSE – Low	Month	BSE – High	BSE – Low
April 2006	36.55	32.05	October 2006	45.50	37.60
May 2006	38.00	32.15	November 2006	39.90	33.45
June 2006	29.95	22.25	December 2006	39.70	31.90
July 2006	34.20	26.20	January 2007	39.45	33.05
August 2006	42.00	30.45	February 2007	39.65	31.25
September 2006	42.90	38.05	March 2007	38.30	24.50

Categorywise Shareholding as at March 31, 2007

Category	No. of Shares held	Percentage of Shareholding
Promoters	11899458	63.78
Mutual Funds and UTI	Nil	Nil
Banks, Financial Institutions, Insurance Companies etc.	Nil	Nil
FII's	Nil	Nil
Private Corporate Bodies	58,949	0.31
Indian Public	1200002	6.43
Non-Resident Indians	165819	0.89
Others	5331580	28.59
Total	18655808	100.00

Distribution of Shareholding as on March 31, 2007:

Number of Equity Shares held	Shareholders (Numbers)	Shareholders (Percentage)	Shares (Numbers)	Shares (Percentage)
1 – 5000	2214	84.15	429959	2.31
5001 – 10000	265	10.07	227479	1.22
10001 – 20000	67	2.55	99105	0.53
20001 – 30000	26	0.99	65879	0.35
30001 – 40000	12	0.46	44951	0.24
40001 – 50000	7	0.27	32004	0.17
50001 – 100000	14	0.53	107609	0.58
100001 & above	26	0.98	17648822	94.60
Total	2931	100.00	18655808	100.00

Declaration

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, the Board Members and the Senior Management Team have confirmed compliance with the Code of Conduct for the Financial Year ended March 31, 2007.

On behalf of Board of Directors

Place: Hyderabad
Date: 27-07-2007

Bhaskar Rao Madala
Whole-time Director

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, 2007, 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.

Place: Hyderabad
Date: 27-07-2007

M. Vijaya Bhaskara Rao
Company Secretary in Practice
Certificate of Practice No. 5237

Management's Discussion and Analysis Report

Overview

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956, and Generally Accepted Accounting Principles (GAAP) in India.

Industry structure and developments

Information technology has transformed businesses by creating productivity gains and new business models in the last two decades. The ability to design, develop, implement, and maintain advanced technology platforms and solutions to address business and customer needs has become a competitive advantage and a priority for corporations worldwide. The need for more dynamic technology solutions and the increased complexity, cost and risk associated with these technology platforms has created a growing need for specialists with experience in leveraging technology to help drive business strategy.

Outsourcing the development, management and ongoing maintenance of technology platforms and solutions has become increasingly important. Corporations are increasingly turning to offshore technology service providers to meet their need for high quality, cost competitive technology solutions. As a result, offshore technology service providers have become mainstream in the industry and continue to grow in recognition and sophistication. The effective use of offshore technology services offers a variety of benefits, including lower total cost of ownership of IT infrastructure, lower labor costs, improved quality and innovation, faster delivery of technology solutions and more flexibility in scheduling.

The size of global IT and related services market exceeded 1.5 trillion US dollars in 2006. NASSCOM's strategic review 2007, estimates this market to grow to 2.1 trillion US dollars by 2010, a compounded growth rate of 7% at around twice the current global GDP growth rates.

According to Gartner's Forecast: IT Outsourcing, Worldwide 2004-2009 Update – Worldwide IT outsourcing spending will rise from \$193 billion in 2004 to \$260 billion by 2009.

According to a Fact Sheet on the Indian IT Industry recently published by NASSCOM, the total combined Indian IT services and IT-enabled services export market in fiscal 2006 was nearly \$24 billion and is estimated to be approximately \$31 billion in fiscal 2007.

A report published by NASSCOM-KPMG in 2004 indicated that the total Indian IT services and IT-enabled services export market is projected to grow to \$49 billion by 2009.

High quality delivery, Significant cost benefits, abundant talent pool are some of the key factors contributing to the growth of IT services.

Opportunities and threats Global IT services

Global companies are increasingly turning to offshore technology service providers to meet their need for high quality, cost competitive technology solutions.

We believe that India is a premier destination for outsourcing IT services. We have the most experienced human resource coupled with world-class infrastructure in Hyderabad to address customer needs.

Intense competition for the limited 'quality' talent and skilled professionals required to perform the services we offer is a significant threat.

Ability to attract and retain skilled professionals in the face of increasing demand for these resources, coupled with wage increases locally may affect our existing cost structure and impact our growth prospects.

We manage mission critical IT infrastructure/applications and therefore maintaining stable communication links with our clients is imperative. Breakdown in telecommunication links, geo-political disturbances or natural disaster could temporarily impact our ability to service customers. This could adversely affect the customer decision to procure IT services from India or increase the nature and scope of services sourced from India.

We have a well-defined business contingency plan and disaster recovery plan to address these unforeseen events and minimize the impact on services delivered from our development centers.

Outlook

We expect to get repeat orders of significant size from existing customers. We have made very good progress in terms of acquiring new customers. We expect to achieve higher growth rates in income and profits during the coming year.

The Company strives to improve the productivity of its operations, and deliver quality service to its customers. We are a significant player in the market space where we operate.

Adequacy of Internal Control Systems

The company has in place adequate internal control systems commensurate with its size and operations covering the financial and operational activities of the company. These have been designed to provide reasonable assurance that assets are safeguarded and protected against loss from un-authorized use or disposition. Transactions are executed in accordance with management's authorisation and properly recorded. The accounting records are adequate for preparation of accurate and reliable financial statements and other financial information. The audit committee of the Board of Directors periodically reviews the internal control systems for its adequacy and effectiveness. The underpinning of company's internal control systems is the Internal Audit function. The Internal Audit is a continuous process and the scope covers verification and vouching of Cash Payments and Bank Payments, verification of Journal Vouchers, scrutiny of General Ledger, Risk Coverage, compliance with applicable laws and regulations including Secretarial issues, compliance with company's policies and procedures related to Human Resources, Code of Ethics, Customer Contracts, Quality Processes, Information and Physical Security requirements of the company's operations.

Financial Performance of the company

Your company had consolidated revenues of Rs 73.34 crores and Rs 4.94 crores net income in the current year. We expect to achieve significant growth in revenue and net income in the coming year.

Human Resources

It is a fact that human resource is key to the growth of the organization. We have implemented Best practices in the area of Human resources so as to attract best talent and retain it. We have strengthened our interface with reputed institutes and hired good talent from them.

We have initiated all possible measures to utilize human resources optimally, and keep them motivated.

Auditors' Report

To
The Members of **Softsol India Limited**
Hyderabad.

1. We have audited the attached Balance Sheet of SOFTSOL INDIA LIMITED, Hyderabad (A.P.) as at 31st March, 2007 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. 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 management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government 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 purposes of our Audit.
 - ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
 - 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 (3C) of section 211 of the Companies Act, 1956;
 - v) On the basis of written representations received from the directors, as on 31st March 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2007 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 read in conjunction with the schedules annexed there with, 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 2007;
 - b) in the case of the profit and loss account, of the profit of the Company for the year ended on that date; and
 - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For Brahmaya & Co.
Chartered Accountants

(P. Chandramouli)
Partner
Membership No. 25211

Place: Hyderabad
Date: 27-06-2007

Annexure to Auditors' Report

(Referred to in Paragraph 3 of our report of even date)

1. a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b. As explained to us, the management has physically verified most of the fixed assets during the year and there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of the assets. No material discrepancies were noticed on such verification.
 - c. During the year the Company has not disposed off any substantial part of fixed assets that would affect the going concern status of the Company.
2. a. The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
 - b. In our opinion, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c. The Company is maintaining proper records of inventory. The discrepancies noticed on physical verification between the physical stocks and book records were not material.
3. a. During the year the Company has neither granted nor taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
 - b. In view of our comment in paragraph 3(a) above, (III) (b), (c), (d), (e), (f), and (g) of paragraph 4 of the aforesaid order are not applicable to the Company.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and with regard to sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
5. a. In our opinion and according to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register to be maintained under that section.
 - b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. The Company has not accepted deposits from the public. Hence the provisions of Section 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 are not applicable to the Company for the time being.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.

8. The Central Government has not prescribed the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 for the activities of the Company.

9. a. According to the records of the company, apart from certain instances of delays, the company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employee's State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and other material statutory dues applicable to it.

b. According to the information and explanations given to us undisputed dues in respect of the income tax, Wealth Tax, Service Tax, Sales Tax, Custom Duty, Excise Duty and Cess which were in arrears, as at 31st March, 2007 for a period of more than six months from the date they became payable are as follows :

Nature of the dues	Amount Rs.	Period to which the amount relates
Tax deducted at source	69,980	2005-2006

c. According to the records of the Company and the information and explanations given to us, the dues of Sales Tax/ Income Tax/ Custom Duty/ Wealth Tax/ Service Tax/ Excise Duties/ Cess, which have not been deposited on account of any dispute are as follows.

Nature of the dues	Amount Rs.	Period to which the amount relates	Forum where dispute is pending
Income Tax	182,38,564	2000-2001	Hon'ble High Court of A.P.
	121,54,880	2001-2002	ITAT, Hyderabad
	67,60,016	2002-2003	Commissioner Appeals Hyderabad

10. The Company has no accumulated losses as at the end of the financial year. The company has not incurred any cash losses during the financial year covered by our audit and the immediately preceding financial year.

11. In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institutions and banks.

12. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

13. The Company is not a chit fund or a nidhi /mutual benefit fund/ society . Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

14. The Company is not dealing or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.

16. According to the information and explanations given to us the Company has not obtained any term loans during the year.

17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, We report that no funds raised on short-term basis have been used for long term investment.
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. During th year, the company has not issued any debentures and therefore the question of creating security or charge in respect there of does not arise.
20. During the year, the company has not made any public issue and therefore the question of disclosing the end use of money raised by public issue does not arise.
21. Based upon the audit procedures performed and according to the information and explanations given to us, we report that no fraud on or by the Company has been noticed or reported during the year.

Place: Hyderabad
Date: 27-06-2007

For Brahmayya & Co.
Chartered Accountants
(P. Chandramouli)
Partner
Membership No. 25211

BALANCE SHEET AS AT 31ST MARCH 2007

Particulars	Schedule No.	As At 31-03-2007 (in Rupees)	As at 31-03-2006 (in Rupees)
I. SOURCES OF FUNDS			
1. Share Holder's Funds			
(a) Capital	1	190,416,190	190,416,190
(b) Reserves and Surplus	2	1,104,783,726	1,056,838,233
		<u>1,295,199,916</u>	<u>1,247,254,423</u>
2. Loan funds	3	4,376,710	-
3. Deferred tax liability		26,398,615	-
	TOTAL	<u>1,325,975,241</u>	<u>1,247,254,423</u>
II APPLICATION OF FUNDS			
1. Fixed Assets			
a) Gross Block	4	315,750,986	88,345,338
Less : Depreciation		45,220,910	35,433,130
b) Net Block		270,530,076	52,912,208
Add: Capital Work In Progress		29,016,712	34,989,667
		<u>299,546,788</u>	<u>87,901,875</u>
2. Investments	5	953,410,053	953,410,053
3. Current Assets, Loans and Advances			
Sundry debtors	6	69,047,298	21,208,860
Cash and bank balances	7	27,563,872	176,043,293
Other current assets	8	23,305,608	21,570,476
Loans and advances	9	9,964,537	3,492,828
		<u>129,881,315</u>	<u>222,315,457</u>
Less : Current Liabilities and Provisions	10	56,862,915	16,372,962
Net Current Assets		<u>73,018,400</u>	<u>205,942,495</u>
TOTAL		<u>1,325,975,241</u>	<u>1,247,254,423</u>

NOTES ON ACCOUNTS

15

Per our report of even date
For Brahmayya & Co.
Chartered Accountants

For and on behalf of the Board

(P. Chandramouli)
Partner

(Bhaskar Rao Madala)
Whole - Time Director

(Dr. T. Hanuman Chowdary)
Director

Place : Hyderabad
Date : 27-06-2007

(B.S. Srinivasan)
Director

(C. Lalitha)
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH'2007

Particulars	Schedule No.	Current Year (in Rupees)	Previous Year (in Rupees)
INCOME			
Software Exports (off shore)		128,307,416	64,536,740
Other Income	11	10,352,136	12,557,536
		138,659,552	77,094,276
EXPENDITURE			
Personnel Cost	12	35,620,355	29,130,292
Operation and Other expenses	13	16,019,024	9,938,860
		51,639,379	39,069,152
PROFIT BEFORE INTEREST, DEPRECIATION AND TAXES		87,020,173	38,025,124
Finance Charges	14	553,285	276,492
Depreciation	4	9,787,780	4,544,931
PROFIT BEFORE TAXES		76,679,108	33,203,701
Provision for Taxation			
Current Income Tax		2,000,000	2,000,000
Deferred Tax		26,398,615	-
Fringe Benefit Tax		200,000	-
PROFIT FOR THE YEAR AFTER TAXATION		48,080,493	31,203,701
Add: Balance brought forward from previous year		229,267,374	198,063,673
Less : Fringe Benefit Tax last year		135,000	-
SURPLUS CARRIED TO BALANCE SHEET		277,212,867	229,267,374
Earning Per Share (Basic & Diluted)		2.58	1.67
NOTES ON ACCOUNTS	15		

Per our report of even date
For Brahmayya & Co.
Chartered Accountants

For and on behalf of the Board

(P. Chandramouli)
Partner

(Bhaskar Rao Madala)
Whole - Time Director

(Dr. T. Hanuman Chowdary)
Director

Place : Hyderabad
Date : 27-06-2007

(B.S. Srinivasan)
Director

(C. Lalitha)
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2007 (Rs. in Lakhs)

	Year ended 31-03-2007	Year ended 31-03-2006
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net profit before Tax	766.79	332.04
Adjustments for :		
Depreciation	97.88	45.45
Interest (net)	(32.78)	(14.29)
Dividend Received	(20.37)	(51.11)
Profit on redemption of mutual fund investments	(1.48)	(0.25)
Profit on sale of Assets	-	(1.23)
Operating Profit before Working Capital changes	810.04	310.61
Adjustments for Working Capital :		
Trade and other receivables	(551.28)	(219.28)
Trade and other payables	381.55	31.24
Net Cash generated from operations	640.31	122.57
Direct Taxes Paid	(12.68)	(69.99)
Net Cash from operating activities (A)	627.63	52.58
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Interest received	37.49	13.80
Dividend Received	20.37	51.11
Purchase of Fixed Assets	(2,214.33)	(405.87)
Sale of Fixed Assets	-	3.00
Sale of investments	1,191.85	1,786.58
Purchase of Investments	(1,190.37)	(1,786.39)
Net Cash Flow from Investing Activities (B)	(2,154.99)	(337.77)
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Proceeds from borrowings	43.77	-
Interest Paid	(1.20)	(2.45)
Dividend Paid	-	(0.01)
Net Cash Flow from Financing Activities (C)	42.57	(2.46)
Net increase in Cash and Cash Equivalants (A+B+C)	(1,484.79)	(287.65)
Cash and Cash Equivalants as at beginning of the year	1,760.43	2,048.08
Cash and Cash Equivalants as at end of the year	275.64	1,760.43

Per our report of even date
For Brahmayya & Co.
Chartered Accountants

For and on behalf of the Board

(P. Chandramouli)
Partner

(Bhaskar Rao Madala)
Whole - Time Director

(Dr. T. Hanuman Chowdary)
Director

Place : Hyderabad
Date : 27-06-2007

(B.S. Srinivasan)
Director

(C. Lalitha)
Company Secretary

**SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31st MARCH, 2007**

Particulars	As at 31-03-2007 (in Rupees)	As at 31-03-2006 (in Rupees)
01. SHARE CAPITAL		
Authorised		
50,000,000 Equity Shares of Rs.10/- each	<u>500,000,000</u>	<u>500,000,000</u>
Issued		
19,681,430 Equity Shares of Rs. 10/-each	<u>196,814,300</u>	<u>196,814,300</u>
Subscribed		
19,455,630 Equity shares Rs. 10/- each	<u>194,556,300</u>	<u>194,556,300</u>
Paid Up Capital		
1,86,27,608 Equity shares of Rs.10/- each fully paid up	186,276,080	186,276,080
28,200 Equity shares of Rs.10/- each and Rs.5/- each paid up	141,000	141,000
	<u>186,417,080</u>	<u>186,417,080</u>
Add: Forfeited Shares (Amount originally paid up)		
7,99,822 Equity shares of Rs. 5/- each	3,999,110	3,999,110
TOTAL	190,416,190	190,416,190
02. RESERVES AND SURPLUS		
Balance as at 31.03.2006		Balance as at 31.03.2007
Securities Premium Account	757,880,730	757,880,730
General Reserve	69,690,129	69,690,129
Surplus : Balance in Profit and Loss Account	229,267,374	277,212,867
TOTAL	1,056,838,233	1,104,783,726
03 SECURED LOANS		
Loan from State Bank of India on Hypothecation of Vehicles	4,376,710	-
TOTAL	4,376,710	-
05. INVESTMENTS		
(At cost, Non-trade, Long-term, unquoted)		
Government Securities		
National Saving Certificates	6000	6000
Investment in Wholly Owned Subsidiary		
13,120 common stock of \$ 100 each fully paid up	953,404,053	953,404,053
TOTAL	953,410,053	953,410,053

04. FIXED ASSETS

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As On 31 -03-2006 Rs.	Additions During The Year Rs.	Deletions During The Year Rs.	As On 31.03.2007	Up To 31.03.2006 Rs.	On Deletions Rs.	For The Year Rs.	Total upto 31.03.2007 Rs	As at 31.03.2007 Rs.	As at 31.03.2006 Rs.
Tangible Fixed Assets										
Land	16,815,492	2,642,957	-	19,458,449	-	-	-	-	19,458,449	16,815,492
Building	30,001,692	116,066,846	-	146,068,538	8,603,175	-	1,936,452	10,539,627	135,528,911	21,398,517
Computers	4,375,580	1,773,952	-	6,149,532	3,434,421	-	558,926	3,993,347	2,156,185	941,159
Computers-Imported	10,793,502	7,123,697	-	17,917,199	8,178,374	-	2,377,890	10,556,264	7,360,935	2,615,128
Air Condition System	4,342,771	26,188,907	-	30,531,678	2,360,449	-	395,507	2,755,956	27,775,722	1,982,322
Generator	785,000	8,231,327	-	9,016,327	509,869	-	609,510	1,119,379	7,896,948	275,131
Lift	741,985	5,131,000	-	5,872,985	479,974	-	59,911	539,885	5,333,100	262,011
UPS	1,426,636	1,166,417	-	2,593,053	633,658	-	152,685	786,343	1,806,710	792,978
Furniture and Fixtures	9,728,044	18,096,420	-	27,824,464	5,919,721	-	2,285,224	8,204,945	19,619,519	3,808,323
Electrical Instaliation	5,014,856	25,862,694	-	30,877,550	3,221,015	-	678,158	3,899,173	26,978,377	1,793,841
Office Equipment	1,405,949	7,567,838	-	8,973,787	438,466	-	218,312	656,778	8,317,009	967,483
Office Equipment-Imp	463,645	-	-	463,645	206,998	-	35,700	242,698	220,947	256,647
Networking Equipment	-	1,611,053	-	1,611,053	-	-	59,037	59,037	1,552,016	-
Canteen Equipment	61,040	-	-	61,040	37,328	-	3,298	40,626	20,414	23,712
Motor and Borewell	99,794	-	-	99,794	68,627	-	4,335	72,962	26,832	31,167
Vehicles	1,747,361	5,605,473	-	7,352,834	1,152,951	-	260,264	1,413,215	5,939,619	594,410
Xerox Machine - Imp	195,685	-	-	195,685	118,376	-	10,754	129,130	66,555	77,309
Library	18,592	-	-	18,592	11,820	-	1,226	13,046	5,546	6,772
Intangible Fixed Assets										
Software	327,714	337,067	-	664,781	57,908	-	140,591	198,499	466,282	269,806
	88,345,338	227,405,648	-	315,750,986	35,433,130	-	9,787,780	45,220,910	270,530,076	52,912,208
Capital Work in Progress	34,989,667	195,907,777	201,880,732	29,016,712	-	-	-	-	29,016,712	34,989,667
	123,335,005	423,313,425	201,880,732	344,767,698	35,433,130	-	9,787,780	45,220,910	299,546,788	87,901,875
Less: Internal Transferences	-	201,880,732	201,880,732	-	-	-	-	-	-	-
TOTAL	123,335,005	221,432,693	-	344,767,698	35,433,130	-	9,787,780	45,220,910	299,546,788	87,901,875
Previous Year Total	83,218,262	5,926,123	799,050	88,345,338	31,510,735	622,537	4,544,932	35,433,130	52,912,208	51,707,525

**SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31st MARCH, 2007**

Particulars	As at 31-03-2007 (in Rupees)	As at 31-03-2006 (in Rupees)
06. SUNDRY DEBTORS		
(Unsecured, Considered Good)		
Debts due over six months	-	-
Other Debts	69,047,298	21,208,860
TOTAL	69,047,298	21,208,860
07. CASH AND BANK BALANCES		
Cash in Hand	36,059	66,096
Balance with Scheduled Banks :		
in Current Accounts	13,228,494	32,224,351
in Fixed Deposits	14,299,319	143,752,846
TOTAL	27,563,872	176,043,293
08. OTHER CURRENT ASSETS		
Prepaid Expenditure	986,881	222,900
Advance Income Tax	16,297,632	16,371,859
Tax Deducted At Sources	5,662,050	4,319,859
Advance for Others	53,799	-
Interest Accrued	305,246	655,858
TOTAL	23,305,608	21,570,476
09. LOANS AND ADVANCES		
(Unsecured considered good recoverable in Cash or in kind or for value to be received)		
Inter Corporate Deposit together with interest accrued thereon	1,923,880	1,839,030
Advance for Capital Works	6,411,471	965,147
Advance for Expenses	474,734	69,193
Deposits recoverable	1,001,952	619,458
Staff Advances	152,500	-
TOTAL	9,964,537	3,492,828

**SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR
ENDED 31st MARCH, 2007.**

Particulars	As at 31-03-2007 (in Rupees)	As at 31-03-2006 (in Rupees)
10. CURRENT LIABILITIES AND PROVISIONS		
Liabilities		
Creditors for : Capital Goods	38,831,096	3,591,321
: Expenses and others	6,316,887	3,500,711
Investor Education and Protection fund : (Appropriate amount shall be transferred to the fund as and when due)		
Unclaimed Dividend	1,423,932	1,423,932
	<u>46,571,915</u>	<u>8,515,964</u>
Provisions		
Provision for Taxation	9,650,000	7,650,000
Provision for Fringe Benefit Tax	335,000	-
Provision for Gratuity	306,000	206,998
	<u>10,291,000</u>	<u>7,856,998</u>
TOTAL	<u>56,862,915</u>	<u>16,372,962</u>
11. OTHER INCOME	<u>Current Year (in Rs.)</u>	<u>Previous Year (in Rs.)</u>
Interest earned (Others, gross)	3,398,240	1,673,663
T D S : Current Year Rs. 6,29,495/- : Previous year Rs. 2,12,697/-		
Rentals	4,747,035	5,623,843
Dividends from Mutual Funds	2,036,617	5,111,305
Profit on redemption of mutual fund investments	148,493	25,238
Miscellaneous receipts	21,751	-
Profit on sale of assets	-	123,487
TOTAL	<u>10,352,136</u>	<u>12,557,536</u>
12. PERSONNEL COST		
Salaries, Wages and Bonus	31,423,362	25,870,302
Contribution to provident and other Funds	1,583,452	1,505,972
Staff welfare	1,927,384	1,153,260
Recruitment and training	686,157	600,758
TOTAL	<u>35,620,355</u>	<u>29,130,292</u>
14. FINANCE CHARGES		
Interest on fixed loans	119,809	-
Interest on other loans	-	245,057
Bank Charges	433,476	31,435
TOTAL	<u>553,285</u>	<u>276,492</u>

**SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR
ENDED 31st MARCH, 2007**

Particulars	Current Year (in Rupees)	Previous Year (in Rupees)
13. OPERATION AND OTHER EXPENSES		
Rent, Rates and Taxes	2,253,230	565,382
Insurance	279,791	692,481
Repairs and Maintenance		
----for Equipment	130,550	79,899
----for Buildings	324,851	153,526
----others	1,265,277	906,848
Advertisement	124,164	88,034
Communication	722,893	701,568
Soft Link Charges	1,433,706	1,469,463
Printing and Stationary	299,570	271,604
STPI - Service Charges	122,500	100,000
Directors Sitting Fees	53,000	70,000
Auditor's Remuneration		
----as auditors	44,944	33,672
----for Tax Audits	-	11,224
----for other Services	-	11,224
----Incidental Exp.	-	6,351
Legal and Professional Services	1,285,359	557,472
Travelling and Conveyance	2,730,835	1,954,119
General Expenses	930,744	420,636
Electricity Charges	2,363,418	1,387,713
Books and Periodicals	68,773	15,010
Business Promotion	-	5,030
Security Service Charges	328,926	222,044
Foreign Exchange Fluctuations	1,255,377	164,444
Donations	1,116	51,116
TOTAL	16,019,024	9,938,860

SCHEDULE-15 : Notes on accounts

1. The following are the significant accounting policies adopted by the company in the preparation and presentation of financial statements.
 - a) Financial statements are based on historical costs and on accrual basis.
 - b) The preparation of financial statements requires the management of the company to make certain estimates and assumptions that effect the reported balance of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of income and expenditure for the year. Examples of such estimates includes provisions for doubtful debts, employee retirement benefits and provision for taxes etc. Any revision to such estimates is recognized prospectively in the year in which it is revised.
 - c) i) Tangible fixed assets are stated at cost net of depreciation provided.
ii) Intangible assets are stated at cost net of the amount already amortized.
 - d) Depreciation on the tangible assets is provided on written down value method as per schedule XIV to the companies Act, 1956 and computer software, which is intangible in nature, is being amortized over its estimated useful life.
 - e) Long term investments are carried at cost. Provision for diminution, if any, in the opinion of the board, in the value of each long term investment is made to recognize a decline, other than that of temporary nature.
 - f) The contingent liabilities are indicated by way of a note and will be provided / paid on crystallization.
 - g) Contributions to Provident Fund are remitted to Provident Fund Commissioner. Gratuity liability is provided on an estimated basis. The above remittances and provisions are charged to revenue.
 - h) Borrowing costs that are directly attributable to the acquisition, construction or production of fixed assets are capitalized as part of the cost of such assets.
 - i) Export sales in foreign currency are accounted for at the exchange rate prevailing at the time of sale. Gain/Loss arising out of fluctuations in the exchange rate is taken to revenue on realization.
 - j) Expenditure in foreign currency is accounted for 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.
 - k) Prior year adjustments, extraordinary items and changes in accounting policies having material impact on the financial affairs of the company are disclosed.
 - l) 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.
 - m) Differed Tax assets and liabilities are recognized for future tax consequences attributable to the timing difference that results between the profits considered for income tax and profit as per financial statements. Deferred tax assets and

liabilities are measured as per the tax rates and laws that have been enacted or substantially enacted by the Balance Sheet date. However, deferred tax assets are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred asset can be realized.

2. The following are the details of current investment bought and sold during the year:

PRUDENTIAL ICICI MUTUAL FUND INVESTMENT

Sl.No.	Date	No. of Units	Unit Rate Rs.	Purchase Cost Rs	Sale Value Rs.
1	03.05.2006	199,960	10	2,000,000	
2	14.05.2006	199,960	10		2,000,000
3	18.07.2006	300	10	3,029	
4	18.07.2006	21,022	10	212,492	
5	18.07.2006	11,377,127	10	115,000,000	
6	24.07.2006	988,328	10		10,000,000
7	01.08.2006	43,374	10	437,225	
8	01.08.2006	2,281,655	10		23,000,000
9	01.09.2006	33,058	10	333,411	
10	29.09.2006	33,184	10	334,760	
11	26.10.2006	1,480,093	10		15,000,000
12	31.10.2006	27,317	10	275,726	
13	07.11.2006	494,795	10		5,000,000
14	15.11.2006	592,932	10		6,000,000
15	29.11.2006	1,084,363	10		11,000,000
16	30.11.2006	18,643	10	188,219	
17	11.12.2006	494,291	10		5,000,000
18	20.12.2006	493,505	10		5,000,000
19	27.12.2006	985,775	10		10,000,000
20	29.12.2006	10,740	10	108,458	
21	17.01.2007	986,729	10		10,000,000
22	31.01.2007	7,072	10	71,498	
23	28.02.2007	7,105	10	71,798	
24	13.03.2007	1,592,414	10		16,135,935
25	13.03.2007	104,061	10		1,049,176
TOTAL				119,036,617	119,185,111

3. a) None of the suppliers had informed the Company that they are small scale industrial undertakings. Hence information regarding dues to such undertakings could not be furnished.
- b) Disclosure of sundry creditors under Current Liabilities is based on the information available with the Company regarding the status of the suppliers as defined under the "Micro, Small and Medium Enterprises Development Act, 2006" Amount overdue as on 31st March, 2007 to Micro, Small and Medium Enterprises on account of principal amount together with interest, aggregate to Rs. Nil (previous year Rs. Nil)
4. In terms of Accounting Standard 22 "Accounting for Taxes on Income" (AS 22) issued by the Institute of Chartered Accountants of India, the Company has accounted for the deferred taxes during the year. The following are the major components of deferred tax (asset)/Liability as on 31.03.2007.

Particulars	Amount Rs
Difference between book and Tax depreciation	2,65,01,615
Provision for gratuity and other Expenses	(1,03,000)
Total	<u><u>2,63,98,615</u></u>

5. Fixed Deposit Receipts for Rs. 28,28,128/- (Previous year Rs. 7,53,128/-) are in lien with Bankers towards margin for guarantees issued by them.
6. As required by Accounting Standard (AS 28) "Impairment of Assets" issued by the Institute of Chartered Accountants of India, the management has carried out the assesment of impairment of assets and no impairment loss has been recognized during the year.
7. 6 year National Saving certificates of the face value of Rs. 6,000/- (Previous Year Rs.6,000/-) shown under investments are in the name of the employees of the company and were pledged with various Government Departments as security.
8. a) In the opinion of the management, the Current Assets, Loans and Advances are expected to realize at least the amount at which they are stated, if realized in the ordinary course of business and provision for all known liabilities have been adequately made in the accounts.
- b) Sundry Debtors includes an amount of Rs.1,52,56,500/- (Previous Year Rs.2,12,08,860/-) due from a wholly owned foreign subsidiary Company viz., Softsol Resources Inc.
9. Managerial remuneration included in various other heads of account.

Whole Time Director :

Particulars	Current Year Rs.	Previous YearRs.
Remuneration and other allowances	8,40,000	8,40,000
Perquisites and Contributions	54,720	54,720
Total	<u><u>8,94,720</u></u>	<u><u>8,94,720</u></u>

	As at 31.03.2007 Rs.	As at 31.03.2006 Rs.
10. Contingent Liabilities not provided for on account of:		
a) Guarantees given by the bankers	28,28,128	7,53,128
b) Demands from Income Tax Department disputed and pending in appeals	3,71,53,460	3,71,53,460
	Current Year Rs.	Previous Year Rs.
11. Value of imports calculated on C.I.F. basis by the Comany during the financial year in respect of capital goods	2,53,06,675	13,96,253
12. Expenditure in foreign currency during the year on account of travelling	9,65,233	5,93,604
13. Earnings in foreign exchange on export of Software	12,83,07,416	6,45,36,740
14. There are no separate reportable segments as per the accounting Standard-17 "Segmental Reporting" issued by the Institute of Chartered Accountants of India.		
15. The details of related party transactions in items of Accounting Standard (AS) 18 are as follows :		

a) Trasactions :

Nature of Transacion	Key Management Personnel		Associates / Subsidiaries	
	Current Year Rs.	Previous Year Rs.	Current Year Rs.	Previous Year Rs.
Sales	-----	-----	9,04,07,798	6,45,36,740
Remuneration	8,94,720	8,94,720	-----	-----

b) Names of related parties and description of relationship :

i) Key Management Personnel

Sr. Madala Bhaskara rao, Whole time Director

ii) Associates / Subsidiaries : M/s SoftSol Technologies Inc, USA (STI)

M/s SoftSol Resourses Inc USA (SRI)

c) Amount due from / to related parties as at the year end :

Due from :	Current Year Rs.	Previous Year Rs.
M/s SoftSol Technologies Inc, USA (STI)	2,66,50,142	Nil
M/s SoftSol Resources Inc, USA (SRI)	1,52,56,500	2,12,08,860

16. Earnings per Share (E.P.S)	Current Year	Previous Year
i) Net profit as per Profit and Loss		
Account available for Equity shareholders (Rs.)	48,080,493	33,203,701
ii) Number of Equity shares	18,641,708	18,641,708
iii) Nominal Value of the share (Rs.)	10	10
iv) Earning per share(Basic and Diluted)	2.58	1.78

17. Previous Year figures have been regrouped wherever necessary.

Per our report of even date
For Brahmaya & Co.
Chartered Accountants

(P. Chandramouli)
Partner

Place : Hyderabad
Date : 27-06-2007

(Bhaskar Rao Madala)
Whole - Time Director

(B.S. Srinivasan)
Director

For and on behalf of the Board

(Dr. T. Hanuman Chowdary)
Director

(C. Lalitha)
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: 31.03.2007

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:	1325975	Total Assets:	1325975
Sources of Funds			
Paid up Capital:	190416	Reserves & Surplus:	1104784
Secured Loans:	Nil	Unsecured Loans:	Nil
Application of Funds:			
Net Fixed Assets:	299547	Investments:	953410
Net Current Assets:	73018	Misc. Expenditure:	Nil
Accumulated Losses:	Nil		

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

Turnover:	128307	Total Expenditure:	52193
Profit/Loss before Tax:	76679	Profit/Loss after Tax:	48080
Earning per Share:	2.58	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

on behalf of the Board of Directors

Place :Hyderabad
 Date : 27-06-2006

(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, 2006
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 27,507
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 723,786

For and on behalf of the Board
of SoftSol India Limited

(Bhaskar Rao Madala)
Whole - Time Director

(Dr. T. Hanuman Chowdary)
Director

Place : Hyderabad
Date : 27-06-2006

(B.S. Srinivasan)
Director

(C. Lalitha)
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 2006

Dear Members

Your Directors take pleasure in presenting their report for the financial year 2006.

The Financial Highlights :

(USD in 000's)

Particulars	2006	2005
Total Revenue	14,602	14,573
Other Income	47	30
Total Operating Expense	14,598	14,537
Provision for Taxation	24	43
Net Profit	28	23

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.

Srinivasa Rao Madala
President and CEO

Independent Auditors' Report

To the Stockholders and Board of Directors,
SoftSol Resources, Inc.
Fremont, CA.

We have audited the accompanying balance Sheet of SoftSol Resources, Inc., as of December 31, 2006 and the related statements of income, retained earnings, and cash flow for the year then ended. 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 auditing standards generally accepted in United States of America. 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 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 position of SoftSol Resources Inc., as of December 31, 2006, 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 is presented only for supplementary analysis purposes.

The Chugh Firm
May 12, 2007

SoftSol Resources Inc., USA**BALANCE SHEET AS OF DECEMBER 31, 2006**

	As of 31.12.2006 in USD	As of 31.12.2006 in Rs.	As of 31.12.2005 in USD
	1 USD = 43.59		
Assets			
Current Assets			
Cash and Cash Equivalents	1,162,034.00	50,653,062.06	411,653.00
Accounts Receivable	2,661,692.00	116,023,154.28	1,966,899.00
Less: Allowance for doubtful Accounts	(46,064.00)	(2,007,929.76)	(48,492.00)
Cost and estimated earnings in excess of Billings on uncompleted contracts	-	-	507,000.00
Receivable Others	100,000.00	4,359,000.00	100,000.00
Receivables from STI	20,270.00	883,569.30	-
Investment in Securities	102,233.00	4,456,336.47	-
Interest Receivables	-	-	1,000.00
Employee Advances	170,622.00	7,437,412.98	7,844.00
Prepaid Insurance	-	-	31,113.00
Prepaid Expenses	53,344.00	2,325,264.96	-
Prepaid Federal Income Taxes	-	-	20,531.00
Prepaid Rent	-	-	11,733.00
Deferred tax asset	18,033.00	786,058.47	20,497.00
Total Current Assets	4,242,164.00	184,915,928.76	3,029,778.00
Property & Equipment			
Property and Equipment	282,052.00	12,294,646.68	263,726.00
Less : Accumulated Depreciation	(207,204.00)	(9,032,022.36)	(162,261.00)
Total Property & Equipment	74,848.00	3,262,624.32	101,465.00
Other Assets			
Investment	203,322.00	8,862,805.98	203,322.00
Deferred Tax Assets	18,772.00	818,271.48	9,154.00
Restricted Cash	-	-	975,000.00
Refundable Deposits	9,033.00	393,748.47	9,032.00
Total Other Assets	231,127.00	10,074,825.93	1,196,508.00
Total Assets	4,548,139.00	198,253,379.01	4,327,751.00
Liabilities and Stock Holders equity			
Current Liabilities			
Account Payable - Trade	2,435,295.00	106,154,509.05	1,819,019.00
Accrued Production Cost	-	-	338,000.00
Other Current Liabilities	-	-	134,946.00
See Schedule-1-Statement of other current Liabilities	46,100.00	2,009,499.00	-
Total Current Liabilities	2,481,395.00	108,164,008.05	2,291,965.00
Differed Tax Liabilities	-	-	-
Total Liabilities	2,481,395.00	108,164,008.05	2,291,965.00
Stockholders Equity			
Common Stock, \$ 100 par, 1,000,000 shares authorised, 13,120 shares issued and outstanding	1,312,000.00	57,190,080.00	1,312,000.00
Retained Earnings	751,293.00	32,747,101.86	723,786.00
Accured other comprehensive Income	3,451.00	152,189.10	-
Total Stockholders Equity	2,066,744.00	90,089,370.96	2,035,786.00
Total Liabilities and Stockholders Equity	4,548,139.00	198,253,379.01	4,327,751.00

SoftSol Resources Inc., USA**STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2006**

	As of 31.12.2006 in USD	As of 31.12.2006 in Rs.	As of 31.12.2005 in USD
	1 USD = 44.10		
Revenue			
Consulting Income	14,602,965.00	643,990,756.50	14,573,348.00
Total Revenue	14,602,965.00	643,990,756.50	14,573,348.00
Cost of Sales			
See Schedule 2- Analysis of Cost of Sales	12,569,937.00	554,334,221.70	12,553,866.00
Gross Profit	2,033,028.00	89,656,534.80	2,019,482.00
Operating Expenses			
Selling Expenses			
See Schedule 3-Analysis of Selling Expenses	635,261.00	28,015,010.10	689,956.00
General & Administrative Expenses			
See Schedule 4-Analysis of G & A Expenses	1,393,034.00	61,432,799.40	1,293,220.00
Total operating expenses	2,028,295.00	89,447,809.50	1,983,176.00
Income from operations	4,733.00	208,725.30	36,306.00
Other Income (Other Expenses)			
Interest Income	9,949.00	438,750.90	5,026.00
Dividend Income	17,175.00	757,417.50	9,077.00
Other Income	58,069.00	2,560,842.90	49,018.00
Loss on Disposal of Assets	(738.00)	(32,545.80)	(3,535.00)
Interest Expense	(37,209.00)	(1,640,916.90)	(29,244.00)
Total Other Income	47,246.00	2,083,548.60	30,342.00
Income from Operations before Income Taxes	51,979.00	2,292,273.90	66,648.00
Provision for Income Taxes			
Federal Income Tax-Current	21,550.00	950,355.00	43,769.00
State Income tax-Current	10,077.00	444,395.70	14,024.00
Federal Income Tax-Deferred	(5,087.00)	(224,336.70)	(9,966.00)
State Income Tax-Deferred	(2,068.00)	(91,198.80)	(5,131.00)
Total Provision for Income Tax	24,472.00	1,079,215.20	42,696.00
Net Income	27,507.00	1,213,058.70	23,952.00
Other Comprehensive Income			
Unrealised gain (Losses) on securities	3,451.00	152,189.10	-
Comprehensive Income	30,958.00	1,365,247.80	23,952.00
Earnings per Share (13,120 shares)	2.10	92.40	1.83
Statement of Retained Earnings			
Retained Earnings, January 1, 2006	723,786.00	31,534,043.16	699,834.00
Net Income	27,507.00	1,213,058.70	23,952.00
Retained Earnings, December 31, 2006	751,293.00	32,747,101.86	723,786.00

SoftSol Resources Inc., USA**Schedule-1
Analysis of other current liabilities**

	As of 31.12.2006 in USD	As of 31.12.2006 in Rs.	As of 31.12.2005 in USD
Federal Income tax payable	1,019.00	44,418.21	
State Income Tax Payable	7,648.00	333,376.32	
Payroll Taxes Payable	-	-	11,159.00
Flexible Spending Payable	12,913.00	562,877.67	12,913.00
State Income tax Payable	-	-	3,852.00
Accrued Wages & Salaries	14,710.00	641,208.90	87,212.00
401K Payable	9,810.00	427,617.90	9,810.00
Customer Deposit	-	-	10,000.00
Total Other Current Liabilities	46,100.00	2,009,499.00	134,946.00

**Schedule-2
Analysis of Cost of Sales**

	As of 31.12.2006 in USD	As of 31.12.2006 in Rs.	As of 31.12.2005 in USD
Consulting Outsourced	5,752,564.00	253,688,072.40	6,386,159.00
Consulting Outsourced-SIL	1,052,000.00	46,393,200.00	1,156,000.00
Salaries & Wages - Consultants	4,845,335.00	213,679,273.50	4,082,116.00
Taxes-Payroll-Consultants	381,623.00	16,829,574.30	327,364.00
Per Diem - Consultant	191,524.00	8,446,208.40	259,248.00
Insurance Medical & Dental	182,116.00	8,031,315.60	110,284.00
Legal & Immigration-Consultants	158,584.00	6,993,554.40	71,718.00
Employee Relocation Expenses	2,220.00	97,902.00	-
Professional Development	-	-	54,321.00
Travel-Consultancy	3,896.00	171,813.60	104,854.00
Purchases Discount Received	75.00	3,307.50	1,802.00
Total Cost of Sales	12,569,937.00	554,334,221.70	12,553,866.00

**Schedule-3
Analysis of Selling Expenses**

	As of 31.12.2006 in USD	As of 31.12.2006 in Rs.	As of 31.12.2005 in USD
Salaries & Wages	565,344.00	24,931,670.40	602,500.00
Taxes-Payroll	34,886.00	1,538,472.60	40,309.00
Insurance Medical & Dental	35,031.00	1,544,867.10	47,147.00
Total Selling Expenses	635,261.00	28,015,010.10	689,956.00

SoftSol Resources Inc., USA**Schedule-4
General & Administrative Expenses**

	As of 31.12.2006 in USD	As of 31.12.2006 in Rs.	As of 31.12.2005 in USD
Auto Expenses	54,567.00	2,406,404.70	52,867.00
Bad debt Expenses	7,104.00	313,286.40	38,139.00
Bank Charges	38,971.00	1,718,621.10	30,294.00
Charitable Contribution	180.00	7,938.00	2,095.00
Depreciation	44,943.00	1,981,986.30	46,073.00
Dues & Publication	16,604.00	732,236.40	13,850.00
Equipment Rental	2,935.00	129,433.50	3,391.00
Employee Benefits	-	-	12,707.00
Freight & Postage	10,022.00	441,970.20	8,730.00
Internet Access & Web Hosting	4,501.00	198,494.10	8,555.00
Insurance	117,556.00	5,184,219.60	94,556.00
Janitorial	3,956.00	174,459.60	7,892.00
Legal Fees	-	-	70,572.00
Meals & Entertainment	21,760.00	959,616.00	22,780.00
Miscellaneous Expenses	49,281.00	2,173,292.10	38,724.00
Moving Expenses	-	-	975.00
Office Expenses	8,622.00	380,230.20	7,035.00
Officers Salaries & Wages	180,000.00	7,938,000.00	274,482.00
Outside Services	31,829.00	1,403,658.90	22,833.00
Per Diem/Out of Station Allowances	-	-	3,524.00
Professional Fees	117,810.00	5,195,421.00	106,012.00
Professional Development	23,931.00	1,055,357.10	9,586.00
Recruiting	36,364.00	1,603,652.40	39,558.00
Rent	151,907.00	6,699,098.70	148,098.00
Salaries & Wages	261,451.00	11,529,989.10	98,988.00
Supplies	24,928.00	1,099,324.80	13,621.00
Taxes, Permits & Licenses	7,183.00	316,770.30	7,160.00
Taxes Payroll	23,938.00	1,055,665.80	23,024.00
Taxes-Property	-	-	-
Taxes State Prior Year	-	-	145.00
Telephone	46,171.00	2,036,141.10	46,674.00
Travel	85,974.00	3,791,453.40	18,503.00
Repairs & Maintenance	906.00	39,954.60	1,133.00
Staff welfare	-	-	-
Utilities	19,640.00	866,124.00	20,644.00
Total General & Administrative Expenses	1,393,034.00	61,432,799.40	1,293,220.00

SoftSol Resources Inc., USA**STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2006**

	Year ended 31-12-2006 (in USD)	Year ended 31-12-2006 (in Rs.)	Year ended 31-12-2005 (in USD)
<u>Cash Flows from Operating Activities</u>			
Net Income	27,507	1,199,030	23,951
Adjustments to reconcile Net Income to Net Cash Provided by Operations :			
Depreciation	44,943	1,959,065	46,073
Provision for Bad and Doubtful Accounts	7,104	309,663	38,139
Prior period adjustment	-	-	-
Changes in Operating Assets & Liabilities:			
Increase in Accounts Receivable	(704,326)	(30,701,570)	(248,242)
Decrease / (Increase) in Cost & Estimated Earnings in excess of billing	507,000	22,100,130	(507,000)
Decrease / (Increase) in Pre paid Expenses	10,033	437,338	(4,452)
Decrease / (Increase) in Employee Advances	(162,778)	(7,095,493)	215
Increase in receivable others	(19,270)	(839,979)	(101,000)
Decrease in Deposits	-	-	-
Increase in Accounts payable	616,276	26,863,471	1,269,771
Increase / (Decrease) in Accrued Production Cost	(338,000)	(14,733,420)	338,000
Decrease in Accrued Liabilities	(93,661)	(4,082,683)	(69,895)
Increase in Income Tax Payable	4,815	209,886	2,782
Increase in deferred tax asset	(7,154)	(311,843)	(10,141)
Deferred Tax Liabilities	-	-	(4,957)
Net Cash Provided by (used in) Operating Activities	(107,511)	(4,686,404)	773,244
<u>Cash Flow from Investing Activities :</u>			
Sale/(Purchase) of property and equipment	(18,326)	(798,830)	(17,718)
Investment in Stock	(98,782)	(4,305,907)	-
Net Cash provided by (used in) Investing Activities	(117,108)	(5,104,738)	(17,718)
<u>Cash Flow from Financing Activities :</u>			
Net Cash Provided by (used in) Financing Activities	-	-	-
Net Increase (Decrease) in Cash & Cash Equivalents	(224,619)	(9,791,142)	755,526
Cash & Cash Equivalents at the Beginning of the year	1,386,653	60,444,204	631,127
Cash & Cash Equivalents at the end of the Year	1,162,034	50,653,062	1,386,653
Supplementary Disclosure			
Interest paid during the year	37,209	1,621,940	29,244
Income Tax paid during the Year	6,007	261,845	71,706

Notes to Financial Statements (Dec 31st, 2006)

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 revolution in Information Technology to provide highly competent and innovative software solutions.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The Company uses the accrual method of accounting for both financial 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 affect 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. Occasionally, 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 of, the cost and

SoftSol Resources Inc., USA

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 ended December 31, 2006 is \$ 44,943.

Investment

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

Investment Securities

Investment Securities, which consist primarily of debt and equity securities, have been categorized as available for sale and as a result, are stated at fair value based generally on quoted market prices. Investment securities available for current operations are classified as current assets. Unrealized holding gains and losses, net of applicable deferred taxes, are included as a component of stockholder's equity until realized.

For the purpose of determining gross realized gains and losses, the cost of investment securities sold is based upon specific determination.

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.

For Fixed price projects, the Company recognizes revenue and cost of contracts on the percentage-of-completion method, measured by the percentage of cost incurred to date to estimated total cost for each contract. That method is used because management considers total cost to be the best available measure of progress on the contracts.

The asset, costs and estimated earnings in excess of billings on uncompleted contracts, represents revenues recognized in excess of amounts billed. The liability, billings in excess of cost and estimated earnings on uncompleted contracts, represents billings in excess of revenues recognized.

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.

SoftSol Resources Inc., USA

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, 2006:

Argonaut General Staffing	Amount
Rental Income	\$ 18,000
Receivable	66,000
Consulting Outsourced	20,000
SoftSol Technologies Inc.,	Amount
Rental Income	\$ 6,000
Receivable - Others	20,270
Consulting Outsourced	96,000
Consulting Income	603,389
Accounts Receivable	568,958
Accounts Payable	24,000
SoftSol India Limited	Amount
Consulting Outsourced	\$1,052,000
Accounts Payable	450,000

Note 4 – Commitments and Contingencies

The Company had entered in agreement with Dollinger-Fremont Associates to lease 11,730 square feet office located at 48383 Fremont Boulevard, Fremont, California on December 1, 2005. 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
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 \$151,907 for the year ended December 31, 2006.

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

SoftSol Resources Inc., USA

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

The Company's sales to its major customer, Cisco totaled \$5 million that accounts for 33% of company's total revenue for the year. Accounts receivable from Cisco as of December 31, 2006 is \$251,213 which is 10% of total balance of account receivable.

Note 6 – 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 substantiated by receipts will be refunded to the Company. As of December 31, 2006, the employee advances has balance of \$170,622.

Note 7 – Investment in Securities

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, 2006, and therefore, no impairment charges were required.

The amortized cost, gross unrealized gains and losses and fair value of the investment securities available-for-sale as of December 31, 2006 is as follows :

	Amortized Cost	Gross unrealized Gains	Gross unrealized Loss	Fair Value
Equities	\$ 20,328	\$ 552	-	\$ 20,880
Mutual Funds	78,454	2,899	-	81,353
	\$ 98,782	\$ 3,451	-	\$ 102,233

Proceeds from sale of investment securities available-for-sale during year end was \$21,235. Gross realized investment losses is \$738.

Note 8 – Receivable Others

The Company has given an unsecured loan of \$ 100,000 to Agni Consulting Inc on August 29, 2005. This loan is due on demand and bears an interest of 3% p.a. On January 2007, this loan was paid off and interest accrued was waived by the company.

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 31,2006 is derived in the United States.

SoftSol Resources Inc., USA

The provision for income taxes consisted of the following:

Year Ended		2006
Federal:		
Current	\$	21,550
Deferred		(5,087)
State:		
Current		10,077
Deferred		(2,068)
Total Provision for income tax	\$	24,472

Significant components of the Company's deferred tax assets and liabilities at December 31, 2006, are as follows:

Deferred Tax Assets		
Current	\$	18,033
Non Current		18,772
Deferred Tax Liability		
Current		-
Non Current		-

Note 9 – Vacation Leave

Since year 2005, the employees are no longer entitled to paid vacation leave. All Accrued Vacation has been paid as of December 31, 2006.

Note 10 – Employee Pension Plan

The Company had a 401(K) plan known as the SoftSol Resources & MedSoft, Inc . 401(K) plan (the "Plan") which was terminated on December 31, 2001. Total accumulated contribution as of December 31, 2006 of \$9,810 is payable to participants.

A new 401(k) plan known as Softsol Resources Inc. 401(k) Plan (Plan no. 7113353) was adapted effective October 1, 2005. The Plan is available to eligible employees through payroll deductions within statutory and plan limits. There is no matching contribution from the employer.

Note 11 - 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 eligible medical expenses and childcare expenses. Beginning April 2003, employees stopped contributing to this plan. The company has \$12,913 as accumulated contributions into this account as of December 31, 2006.

Note 12 - Line of Credit

The Company has an approved line of credit with Silicon Valley Bank (SVB) for \$2.5 million with an interest rate of equal to the SVB prime rate plus 1.5% per annum. This line of credit matures on July 15, 2007. Interest expenses for year is \$35,209.

Note 13-Stockholders' Equity

The Company is authorized to issue upto 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.

Auditor's Report on Consolidated Financial Statements

To,
The Board of Directors
SOFTSOL INDIA LIMITED
Hyderabad.

We have audited the attached Consolidated Balance Sheet of SoftSol India Limited and its subsidiaries (Collectively "the group") as at 31st March, 2007, and also the Consolidated Profit and Loss Account and the consolidated cash flow statement for the year ended on that date, annexed thereto. These financial statements are the responsibility of SoftSol India Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 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, VIZ., SoftSol Resources Inc., USA. Whose financial statements reflect total assets (net) of Rs. 900.89 Lakhs as at 31st December, 2006, Total revenue of Rs. 6479.00 Lakhs and Net Cash inflows amounting to Rs.44.26 Lakhs for the year ended on that date. The Financial statements of the said subsidiary for the year ended 31st December 2006 were audited by other auditors, whose report has been furnished to us. Our opinion insofar as it relates to the amounts included in respect of such subsidiary is solely based on the report of the other auditors.

We report that the consolidated financial statements have been prepared by the SoftSol India Limited's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, Accounting Standards (AS 23) "Accounting for Investments in Associates in Consolidated Financial Statements", issued by the Institute of Chartered Accountants of India.

In our opinion and to the best of our information and according to explanations given to us, and subject to our observation vide para 3 above, the consolidated financial statements give a true and fair view in conformity with 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, 2007.
- (b) In the case of the Consolidated Profit and Loss account, of the profit of the group for the year ended on that date; and
- (c) In the case of the Consolidated Cash Flow Statement, of the Consolidated Cash Flows of the group for the year ended on that date.

For Brahmaya & Co.
Chartered Accountants

Place : Hyderabad
Date : 27-06-2007

(P. Chandramouli)
Partner
Membership No. 25211

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH'2007

Particulars	Schedule No.	As at 31-03-2007 (in Rupees)	As at 31-03-2006 (in Rupees)
I SOURCES OF FUNDS			
1. Share holder's Funds			
(a) Capital	01	190,416,190	190,416,190
(b) Reserves and Surplus	02	1,137,683,016	1,089,126,327
		<u>1,328,099,206</u>	<u>1,279,542,517</u>
2. Loan Funds	03	4,376,710	-
		<u>4,376,710</u>	<u>-</u>
3. Deferred Tax Liability		26,398,615	-
T O T A L		<u>1,358,874,531</u>	<u>1,279,542,517</u>
II APPLICATION OF FUNDS			
1. Fixed Assets			
a) Gross Block	04	1,224,259,605	994,991,889
Less: Depreciation		<u>54,252,931</u>	<u>42,671,593</u>
b) Net Block		1,170,006,674	952,320,296
Add : Capital Work In Progress		29,016,712	34,989,667
		<u>1,199,023,386</u>	<u>987,309,963</u>
2. Investments	05	13,325,142	9,070,194
3. Current Assets, Loans and Advances			
Sundry Debtors	06	167,876,103	111,249,996
Cash and Bank Balances	07	78,216,934	194,407,133
Other Current assets	08	27,235,203	91,877,085
Loans and advances	09	17,795,697	4,245,667
		<u>291,123,937</u>	<u>401,779,881</u>
Less: Current Liabilities and Provisions	10	144,597,934	118,617,521
Net Current Assets		<u>146,526,003</u>	<u>283,162,360</u>
T O T A L		<u>1,358,874,531</u>	<u>1,279,542,517</u>
Notes On Accounts	15		

Per our report of even date
For Brahmayya & Co.
Chartered Accountants

For and on behalf of the Board

(P. Chandramouli)
Partner

(Bhaskar Rao Madala)
Whole - Time Director

(Dr. T. Hanuman Chowdary)
Director

Place : Hyderabad
Date : 27-06-2007

(B.S. Srinivasan)
Director

(C. Lalitha)
Company Secretary

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED
31ST MARCH'2007**

Particulars	Schedule No.	Current Year (in Rupees)	Previous Year (in Rupees)
INCOME			
Software Exports (off shore)		733,428,672	641,227,312
Other Income	11	14,261,336	15,776,369
		747,690,008	657,003,681
EXPENDITURE			
Personnel Cost	12	340,059,281	292,067,346
Operating and other expenses	13	312,824,568	318,890,304
		652,883,849	610,957,650
PROFIT BEFORE INTEREST, DEPRECIATION AND TAXES		94,806,159	46,046,031
Finance Charges	14	3,912,823	2,896,164
Depreciation	04	11,769,766	6,572,144
PROFIT BEFORE TAXES		79,123,570	36,577,723
Provision for Taxation			
Current Income tax		3,079,215	3,878,624
Deferred tax		26,398,615	-
Fringe Benefit tax		200,000	-
PROFIT FOR THE YEAR AFTER TAXATION		49,445,740	32,699,099
Add: Balance brought forward from previous year		258,435,099	228,856,370
Less : Fringe Benefit Tax (Last Year)		135,000	-
AMOUNT AVAILABLE FOR APPROPRIATIONS		307,745,839	261,555,469
Appropriations			
General Reserve		-	3,120,370
Surplus Carried to Balance Sheet		307,745,839	258,435,099
		307,745,839	261,555,469
Earning Per Share (Basic & Diluted)		2.65	1.75
NOTES ON ACCOUNTS	15		

Per our report of even date
For Brahmayya & Co.
Chartered Accountants

For and on behalf of the Board

(P. Chandramouli)
Partner

(Bhaskar Rao Madala)
Whole - Time Director

(Dr. T. Hanuman Chowdary)
Director

Place : Hyderabad
Date : 27-06-2007

(B.S. Srinivasan)
Director

(C. Lalitha)
Company Secretary

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED
31st MARCH, 2007

(Rs. in Lakhs)

	Year ended 31-03-2007	Year ended 31-03-2006
A. CASH FLOW FROM OPERATING ACTIVITIES :		
Net profit before Tax and Extraordinary items	791.24	365.78
Adjustments for :		
Depreciation	117.70	65.72
Interest (net)	(20.76)	(16.50)
Dividend received	(27.94)	(55.11)
Profit on redemption of mutual fund investment	(1.48)	(0.25)
Profit on sale of assets	-	(1.23)
Effect of exchange rate difference	(7.54)	
Operating Profit before Working Capital changes	851.20	358.41
Adjustments for Working Capital :		
Trade and other receivables	(45.75)	(1,018.48)
Trade and other payables	225.66	702.13
Net Cash generated from operations	1,031.12	42.06
Direct Taxes paid	(13.55)	(90.64)
Net cash Flow from Operating activities	1,017.57	(48.57)
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Interest received	42.32	15.56
Dividend received	27.94	55.11
Purchase of Fixed Assets	(2,234.83)	(401.27)
Sale of Fixed Assets	-	3.00
Sale of Investments	1,191.85	3,594.37
Purchase of Investments	(1,232.91)	(3,595.86)
Net Cash flow from Investing Activities	(2,205.63)	(329.10)
C. CASH FLOW FROM FINANCING ACTIVITIES :		
Proceeds from borrowings	43.77	-
Dividend Paid	-	(0.01)
Interest Paid	(17.61)	(2.45)
Net Cash flow from Financing Activities	26.16	(2.46)
Net increase in Cash and Cash Equivalents	(1,161.90)	(380.13)
Opening Cash and Cash Equivalents	1,944.07	2,324.21
Closing Cash and Cash Equivalents	782.17	1,944.07
	(1,161.90)	(380.13)

Per our report of even date
For Brahmayya & Co.
Chartered Accountants

For and on behalf of the Board

(P. Chandramouli)
Partner

(Bhaskar Rao Madala)
Whole - Time Director

(Dr. T. Hanuman Chowdary)
Director

Place : Hyderabad
Date : 27-06-2007

(B.S. Srinivasan)
Director

(C. Lalitha)
Company Secretary

**SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR
THE YEAR ENDED 31st MARCH, 2007.**

Particulars	As at 31-03-2007 (in Rupees)	As at 31-03-2006 (in Rupees)	
01. SHARE CAPITAL			
Authorised			
50,000,000 Equity Shares of Rs.10/- each	500,000,000	5,00,000,000	
Issued			
19,681,430 Equity Shares of Rs.10/- each	196,814,300	196,814,300	
Subscribed			
19,455,630 Equity shares Rs.10/- each	194,556,300	194,556,300	
Paid Up Capital			
18,627,608 Equity shares of Rs.10/- each fully paid	186,276,080	186,276,080	
28,200 Equity shares of Rs 10/- each and Rs.5/- each paid up	141,000	141,000	
	<u>186,417,080</u>	<u>186,417,080</u>	
<i>Add : Forfeited Shares (amount originally paid up)</i>			
799,822 Equity shares of Rs.5/- each	3,999,110	3,999,110	
T O T A L	190,416,190	190,416,190	
02. RESERVES AND SURPLUS			
	Balance as at 31.03.2006	Additions Deletions	Balance as at 31.03.2007
Securities Premium Account	757,880,730	- -	757,880,730
General Reserve :	72,810,498	- -	72,810,498
Foreign Currency Translation and Reserve (Arisnig on Consolidation)	-	(754,051) -	(754,051)
Surplus : Balance in Profit and Loss Account	258,435,099	307,745,839 258,435,099	307,745,839
T O T A L	1,089,126,327	306,991,788 258,435,099	1,137,683,016
03. SECURED LOANS			
Loan from State Bank of India on hypothication of Vehicles		4,376,710	-
TOTAL		<u>4,376,710</u>	<u>-</u>
05. INVESTMENTS			
(At cost, Non Trade, Long Term, Unquoted)			
Government Securities			
National Saving Certificates		6,000	6,000
<i>Investments</i>		13,319,142	9,064,194
TOTAL		<u>13,325,142</u>	<u>9,070,194</u>

**SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31st MARCH, 2007**

04. FIXED ASSETS

NAME OF THE ASSETS	GROSS BLOCK AS AT 31-03-2007 In Rupees	ACCUMULATED DEPRECIATION In Rupees	NET BLOCK AS AT 31-03-2007 In Rupees
Tangible Fixed assets			
Land	19,458,449	-	19,458,449
Building	146,068,538	10,539,627	135,528,911
Computers	6,149,532	3,993,347	2,156,185
Computers - Imported	17,917,199	10,556,264	7,360,935
Air Condition System	30,531,678	2,755,956	27,775,722
Generator	9,016,327	1,119,379	7,896,948
Lift	5,872,985	539,885	5,333,100
UPS	2,593,053	786,343	1,806,710
Furniture and Fixtures	27,824,464	8,204,945	19,619,519
Electrical Installation	30,877,550	3,899,173	26,978,377
Office Equipment	8,973,787	656,778	8,317,009
Office Equipment - Imp	463,645	242,698	220,947
Net working Equipment	1,611,053	59,037	1,552,016
Canteen Equipment	61,040	40,626	20,414
Motor & Borewell	99,794	72,962	26,832
Vehicles	7,352,834	1,413,215	5,939,619
Xerox Machine - Imp	195,685	129,130	66,555
Library	18,592	13,046	5,546
Subsidiary's Assets	12,294,646	9,032,022	3,262,624
Intangible Fixed Assets			
Good Will	896,213,972	-	896,213,972
Software	664,781	198,499	466,282
TOTAL	1,224,259,605	54,252,931	1,170,006,674

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 2007

Particulars	As at 31-03-2007 (in Rupees)	As at 31-03-2006 (in Rupees)
06 SUNDRY DEBTORS		
(Unsecured, Considered Good)		
Debts due to over six months	-	-
Other Debts	169,884,033	113,413,224
Less : Allowance for doubtful debts	2,007,930	2,163,228
TOTAL	167,876,103	111,249,996
07 CASH AND BANK BALANCES		
Cash in hand	50,689,121	18,429,936
Balance with Scheduled Banks		
In Current Accounts	13,228,494	32,224,351
In fixed Deposits	14,299,319	143,752,846
TOTAL	78,216,934	194,407,133
08 OTHER CURRENT ASSETS		
Prepaid Expenditure	986,881	2,134,260
Advance Income Tax	18,622,897	18,610,478
Tax Deducted at Sources	5,662,050	4,319,859
Advances for Others	53,799	-
Interest Accrued	305,246	700,468
Differed tax asset	1,604,330	66,112,020
TOTAL	27,235,203	91,877,085
09 LOANS AND ADVANCES		
(Unsecured, Considered good, recoverable in Cash or in kind or for value to be received)		
Inter Corporate Deposit together with interest accrued thereon	1,923,880	1,839,030
Advances for Capital Works	6,411,471	965,147
Advances for Expenses	7,912,146	419,114
Deposits Recoverable	1,395,700	1,022,376
Staff Advances	152,500	-
TOTAL	17,795,697	4,245,667
10. CURRENT LIABILITIES AND PROVISIONS		
Liabilities		
Creditors for : Capital Goods	38,831,096	3,591,321
: Expenses and Others	92,972,691	105,745,270
Investor Education and Protection Fund	-	-
(Appropriate amount shall be transferred to the fund as and when due)	-	-
Unclaimed Dividend	1,423,932	1,423,932
	13,227,719	110,760,523
Provisions		
Provision for Taxation	10,729,215	7,650,000
Provision for Fringe Benefit Tax	335,000	-
Provision for Gratuity	306,000	206,998
	11,370,125	7,856,998
TOTAL	144,597,934	118,617,521

**SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31st MARCH, 2007**

Particulars	Current Year (in Rupees)	Previous Year (in Rupees)
11. OTHER INCOME		
Interest earned (Others, gross)	3,836,991	1,894,807
TDS : Current Year Rs. 6,29,495/- : Previous Year Rs. 2,12,697/-		
Rentals	4,747,035	5,623,843
Dividends from Mutual Funds	2,794,034	5,510,693
Profit on redemption of Mutual Fund Investments	148,493	25,238
Profit on Sale of assets	-	123,487
Miscellaneous receipts	2,734,783	2,598,301
T O T A L	14,261,336	15,776,369
12. PERSONNEL COST		
Salaries, Wages and Bonus	335,862,288	31,144,123
Contribution to PF and other Funds	1,484,450	1,080,189
Gratuity	99,002	-
Staff welfare	1,927,384	1,153,260
Recruitment and Training	686,157	258,689,774
T O T A L	340,059,281	292,067,346
14. FINANCE CHARGES		
Interest on fixed loans	1,760,726	-
Interest on Other Loans	-	245,057
Bank Charges	2,152,097	2,651,107
TOTAL	3,912,823	2,896,164

**SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31st MARCH, 2007**

	Current Year (in Rupees)	Previous Year (in Rupees)
13. OPERATION AND OTHER EXPENSES		
Rent, Rates and Taxes	10,324,765	7,403,114
Insurance	5,464,011	5,852,942
Repairs & Maintenance		
----for Equipment	2,706,344	79,899
----for Buildings	324,851	153,526
----others	1,265,277	3,432,053
Advertisement	124,164	88,034
Communication	3,399,498	3,139,344
Soft Link Charges	1,433,706	1,845,881
Printing and Stationary	299,570	271,604
ST P I - Service Charges	122,500	100,000
Director's Sitting Fees	53,000	70,000
Auditors Remuneration		
-As Auditors	44,944	33,672
-For Tax Audits	-	11,224
-For other Services	-	11,224
-Incidental Expenses	-	6,351
Legal and Professional Services	8,939,796	13,500,468
Travelling and Conveyance	6,522,288	7,729,907
Consulting Outsourced	261,211,772	267,318,256
General Expenses	5,484,466	4,554,392
Electricity Charges	2,363,418	1,387,713
Books and Periodicals	801,009	624,410
Business Promotion	-	5,030
Loss on Sale of assets	32,546	155,540
Baddebts	313,286	1,678,116
Security Service Charges	328,926	222,044
Foreign Exchange Fluctuations	1,255,377	164,444
Donations	9,054	51,116
TOTAL	312,824,568	318,890,304

Schedule - 15 : Notes on accounts

- 1) Consolidated Financial Statements have been prepared to meet the requirements of Clause 32 of the Listing Agreement with the Stock Exchange.
 - a) **Basis of Consolidation :**

The consolidation of accounts is done in accordance with the requirements of the accounting standard (AS 21) "Consolidation of financial statements" issued by the Institute of Chartered Accounts of India. Financial Statements of subsidiaries were prepared for the year ended 31st December 2006 and the same have been adopted for consolidation
 - b) **Companies included in Consolidation :**

The consolidated Financial statement include the financial statement of softsol india Limited and its subsidiary viz., softsol Resources Inc. USA, A wholly owned subsidiary incorporated in United State of America
 - c) **Principles of Consolidation :**

The Consolidated Financial statements have been prepared based on a line by line consolidation of profit and loss account and balance sheet. All inter company balance and transactions are eliminated on consolidation.
2. The following are the significant accounting policies adopted by the company in the preparation and presentation of financial statements.
 - a) Financial Statements are based on historical costs and on accrual basis.
 - b) The preparation of financial statements requires the management of the company to make certain estimates and assumptions that effect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of income and expenditure for the year. Examples of such estimates includes provision for doubtful debts, employee retirement benefits and provision for taxes etc. Any revision to such estimates is recognized prospectively in the year in which it is revised.
 - c)
 - i) Tangible fixed assets are stated at cost net of depreciation provided.
 - ii) Intangible assets are started at cost net of the amount already amortized.
 - d) Depreciation on the tangible assets is provided on written down value method as per schedule XIV to the companies Act, 1956 and computer software, which is intangible in nature, is being amortized over it's estimated useful life.
 - e) Long term investments are carried at cost. Provision for diminution, if any, in the opinion of the board, in the value of each long term investment is made to recognize a decline, other than that of temporary nature.
 - f) The contingent liabilities are indicated by way of a note and will be provided / paid on crystallization.
 - g) Contributions to Provident Fund are remitted to Provident Fund Commissioner. Gratuity liability is provided on an estimated basis. The above remittances and provisions are charged to revenue.
 - h) Borrowing costs that are directly attributable to the acquisition, construction or production of fixed assets are capitalized as part of the costs of such assets.
 - i) Export sales in the foreign currency are accounted for at the exchange rate prevailing at the time of sale. Gain/Loss arising out of fluctuations in the exchange rate is taken to revenue on realization.

- j) Expenditure in foreign currency is accounted for 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.
- k) Prior year adjustments, extraordinary items and changes in accounting policies having material impact on the financial affairs of the company are disclosed.
- l) 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.
- m) Differed Tax assets and liabilities are recognized for future tax consequences attributable to the timing difference that results between the profit considered for income tax and the profit as per financial statements. Deferred tax assets and liabilities are measured as per the tax rates and laws that have been enacted or substantially enacted by the Balance Sheet date. However deferred tax assets are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred asset can be realized.

2. The following are the details of current investments bought and sold during the year :

PRUDENTIAL ICCI MUTUAL FUND - INVESTMENT

Sl. No.	Date	No. of Units	Units Rate Rs.	Purchase Cost Rs.	Sale Value Rs
1	03.05.2006	199,960	10	2,000,000	
2	14.05.2006	199,960	10		2,000,000
3	18.07.2006	300	10	3,029	-
4	18.07.2006	21,022	10	212,492	
5	18.07.2006	11,377,127	10	115,000,000	
6	24.07.2006	988,328	10		10,000,000
7	01.08.2006	43,374	10	437,225	
8	01.08.2006	2,281,655	10		23,000,000
9	01.09.2006	33,058	10	333,411	
10	29.09.2006	33,184	10	334,760	
11	26.10.2006	1,480,093	10		15,000,000
12	31.10.2006	27,317	10	275,726	
13	07.11.2006	494,795	10		5,000,000
14	15.11.2006	592,932	10		6,000,000
15	29.11.2006	1,084,363	10		11,000,000
16	30.11.2006	18,643	10	188,219	

Sl. No.	Date	No. of Units	Units Rate Rs.	Purchase Cost Rs.	Sale Value Rs
17	11.12.2006	494,291	10		5,000,000
18	20.12.2006	493,505	10		5,000,000
19	27.12.2006	985,775	10		10,000,000
20	29.12.2006	10,740	10	108,458	
21	17.01.2007	986,729	10		10,000,000
22	31.01.2007	7,072	10	71,498	
23	28.02.2007	7,105	10	71,798	
24	13.03.2007	1,592,414	10		16,135,935
25	13.03.2007	104,061	10		1,049,176
TOTAL				119,036,617	119,185,111

3. a) None of the suppliers had performed the Company that they are small scale industrial undertakings. Hence information regarding dues to such undertakings could not be finished.

b) Disclosure of Sundry creditors under Current Liabilities is based on the information available with the Company regarding the status of the suppliers as defined under the "Micro, Small and Medium Enterprises Development Act, 2006". Amount overdue as on 31st March, 2007 to Micro, Small and Medium Enterprises on account of principal amount together with interest, aggregate to Rs. Nil (Previous year Nil).

4) In terms of Accounting Standard 22 "Accounting for Taxes on Income" (AS 22) issued by the Institute of Chartered Accountants of India, the Company has accounted for the deferred taxes during the year. The following are the major components of deferred tax (asset) / Liability as on 31.03.2007.

Particulars	Amount Rs.
Difference between book and Tax depreciation	2,65,01,615
Provision for gratuity and other Expenses	(1,03,000)
Total	2,63,98,615

5. Fixed Deposit Receipts for Rs.28,28,128/- (Previous Year Rs.7,53,128/-) are in lien with Bankers towards margin for guarantees issued by them.

6. As required by Accounting Standards (AS 28) "Impairment of Assets" issued by the Institute of Chartered Accountants of India, the Management has carried out the assesment of impairment of assets and no impairment loss has been recognized during the year.

7. 6 year National Saving Certificates of face value of Rs. 6,000/- (Previous year Rs. 6,000/-) shown under investments are in the name of the employees of the company and were pledged with various Government Departments as security.

8. a) In the opinion of the management, the Current Assets, Loans and Advances are expected to realize at least the amount at which they are stated, if realized in the ordinary course of business and provision for all known liabilities have been adequately made in the accounts.

b) Sundry Debtors includes an amount of Rs.1,52,56,500/- (Previous year Rs.2,12,08,860/-) due from a wholly owned foreign subsidiary Company viz., Softsol Resources Inc.

9. Managerial remuneration included in various other heads of account.

Whole Time Director :

Particulars	Current Year Rs.	Previous YearRs.
Remuneration and other allowances	8,40,000	8,40,000
Perquisites and Contributions	54,720	54,720
Total	8,94,720	8,94,720
	As at 31.03.2007 Rs.	As at 31.03.2006 Rs.
10. Contingent Liabilities not provided for on account of:		
a) Guarantees given by the bankers	28,28,128	7,53,128
b) Demands from Income Tax Department disputed and pending in appeals	3,71,53,460	3,71,53,460
	Current Year Rs.	Previous Year Rs.
11. Value of imports calculated on C.I.F. basis by the Comany during the financial year in respect of capital goods	2,53,06,675	13,96,253
12. Expenditure in foreign currency during the year on account of travelling	9,65,233	5,93,604
13. Earnings in foreign exchange on export of Software	12,83,07,416	6,45,36,740
14. There are no separate reportable segments as per the accounting Standard-17 “ Segmental Reporting” Issued by the Institute of Chartered Accountants of India.		
15. The details of related party transactions in items of Accounting Standard (AS) 18 are as follows :		
a) Trasactions :		

Nature of Transacion	Key Management Personnel		Associates / Subsidiaries	
	Current Year Rs.	Previous Year Rs.	Current Year Rs.	Previous Year Rs.
Sales	-----	-----	9,04,07,798	6,45,36,740
Remuneration	8,94,720	8,94,720	-----	-----

- b) Names of related parties and description or relationship :
- i) Key Management Personnel
Sr. Madala Bhaskar rao, Whole time Director
- ii) Associates / Subsidiaries : M/s Softsol Technologies Inc, USA (STI)
M/s Softsol Resources Inc USA (SRI)

c) Amount due from / to related parties as at the year end :

	Current Year Rs	Previous Year Rs
Due from :		
M/s Softsol Technologies Inc, USA (STI)	2,66,50,142	Nil
M/s Softsol Resources Inc, USA (SRI)	1,52,56,500	2,12,08,860
16. Earnings per Share (E.PS)	Current Year	Previous Year
i) Net profit as per Profit and Loss		
Account available for shareholders (Rs.)	48,080,493	33,203,701
ii) Number of Equity shares	18,641,708	18,641,708
iii) Nominal Value of the share (Rs.)	10	10
iv) Earning per share(Basic and Diluted)	2.58	1.78

17. Previous Year figures have been regrouped wherever necessary.

Per our report of even date
For Brahmayya & Co.
Chartered Accountants

For and on behalf of the Board

(P. Chandramouli)
Partner

(Bhaskar Rao Madala)
Whole - Time Director

(Dr. T. Hanuman Chowdary)
Director

Place : Hyderabad
Date : 27-06-2007

(B.S. Srinivasan)
Director

(C. Lalitha)
Company Secretary

SOFTSOL INDIA LIMITED

Regd. Off.: Plot No.4, Infocity, Madhapur, Hyderabad - 500 033.

Tel : +91 (40) 30719500, Facsimile : +91(40)30784306

e-mail : softsol@softsolindia.com

ATTENDANCE SLIP

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

DP ID:
Client ID

Regd. Folio No.

Name and address of the Shareholder/Proxy:

Number of Shares held

I hereby record my presence at the 17th Annual General Meeting of the company held on Saturday the 29th Day of September 2007 at the registered office of the company situated at Plot No. 4, Infocity, Madhapur, Hyderabad - 500 033 at 10.30 a.m.

(Signature of Shareholder/Proxy)

SOFTSOL INDIA LIMITED

Regd. Off.: Plot No.4, Infocity, Madhapur, Hyderabad - 500 033.

Tel : +91 (40) 30719500, Facsimile : +91(40)30784306

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 17th Annual General Meeting to be held on Saturday, the 29th September, 2007 at the registered office of the company situated at Plot No. 4, Infocity, Madhapur, Hyderabad - 500 033 at 10.30 a.m. or any adjournment thereof.

Signed this.....day 2007.

Affix Rs. 1 Revenue Stamp

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.