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**SoftSol India Limited**

<b>Board of Directors</b>	Mr. Srinivasa Rao Madala Mr. Bhaskar Rao Madala Dr. T. Hanuman Chowdary Mr. B.S. Srinivasan Mr. Shanker Trivedi Mr. Pradeep Kumar	Chairman Whole time Director Director Director Director Director
<b>Company Secretary</b>	Mrs. Chavali Lalitha	
<b>Statutory Auditors</b>	M/s. Brahmayya & Co., Chartered Accountants, Hyderabad.	
<b>Internal Auditors</b>	M/s. Balarami & Nagarjuna, Chartered Accountants, Hyderabad.	
<b>Bankers</b>	ICICI Bank Limited, Madhapur, Hyderabad. Axis Bank Limited, Begumpet, Hyderabad. Axis Bank Limited, Madhapur, Hyderabad. Axis Bank Limited, Dwarakanagar, Visakhapatnam. State Bank of India, Madhapur, Hyderabad.	
<b>Registered Office</b>	Plot No. 4, Software Units Layout, Madhapur, Hyderabad – 500 081. Telephone: +91 (40) 30719500 Facsimile: + 91 (40) 30784306 E-mail: softsol@softsolindia.com Website: www.softsolindia.com	
<b>Registrars &amp; Share Transfer Agent</b>	Karvy Computershare Private Limited, Plot No. 17 - 24, Vithalrao Nagar, Madhapur, Hyderabad-500 081. Phone: 040 - 23420815-820, Fax: 040 – 23420814; Email: jayaramanvk@karvy.com.	

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### Letter to Shareholders

Dear members,

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



Despite dollar-rupee exchange concerns we experienced during this year your company maintained a consolidated revenues of Rs.74 Crores and Rs.9.29 Crores PAT reflecting a 88% increase in PAT over previous year. This year we have closed contracts that are in record sizes compared to any time before in our company history. Since these contracts came little late in the year the results will be reflected in the year 2008-2009. We improved our utilization of our resources and further efforts are now underway to increase the efficiency of our operations.

Just as we have projected last year, as promised and as planned we have made significant accomplishments in addition to improving the financial performance.

We have successfully won major deals from world class customers each providing multi-million dollar multi-year contracts. We have successfully completed milestones of existing projects 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 projects are likely to continue to future years an result in improved financial results and improvement in Shareholder value for SoftSol.

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.

On infrastructure front, we are building a new facility at Vizag and we hope to complete this by the end of December 2008. We are also planning to open a new office in another country.

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 inorganic growth.

We are putting extra efforts to get significant revenue streams from Europe.

We have taken steps to ensure that all of our resources generate positive returns, whether it be 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 our ability to attract and hire new people, improve employee morale and enhance company's image. In fact every new customer was extremely satisfied with the work performed by our people and has expressed interest in additional services from our company. I want to take this opportunity to thank our employees for their contributions.

The ground work performed by every one so far 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. We are now attempting to do the next step of translating that into recurring revenue stream and revenue optimization from such customers, SoftSol will 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 2008-2009 than any of the previous years since our company went public.

I am pleased to inform you that the year 2008-2009 and the following year look very optimistic.

Sincerely Yours

**Srinivasa Rao Madala**  
**Chairman**

## Notice of the 18<sup>th</sup> Annual General Meeting

Notice is hereby given that the Eighteenth Annual General Meeting of the members of SoftSol India Limited will be held on Tuesday, the 30<sup>th</sup> day of September, 2008 at 10.30 a.m., at the Registered Office of the Company situated at Plot No. 4, Software Units Layout, Madhapur, Hyderabad - 500 081 to transact the following business:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at March 31, 2008 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 Mr. B. S. Srinivasan, who retires by rotation and being eligible, offers him for re-appointment.
3. To appoint a Director in place of Mr. Shanker Trivedi, who retires by rotation and being eligible, offers him for re-appointment.
4. To reappoint M/s. Brahmayya & Co., Chartered Accountants as Statutory Auditors and to fix their remuneration.

### Special Business:

5. To consider and if thought fit, to pass with or without modifications, if any the following as an Ordinary Resolution:

“RESOLVED THAT Mr. Pradeep Kumar, who was appointed by the Board of Directors as an Additional Director with effective from 30<sup>th</sup> day of January 2008 and who holds office up to the date of the Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company.”

On behalf of the Board of Directors

Place: Hyderabad  
Date: 31-07-2008

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 26-09-2008 to 30-09-2008, 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, Plot No. 17 - 24, Vithalrao Nagar, Madhapur, Hyderabad - 500 081, Andhra Pradesh 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.5**

Mr. Pradeep Kumar was appointed as an Additional Director by the Board on 30<sup>th</sup> January 2008 pursuant to the provisions of Section 260 of the Companies Act, 1956. He holds office only up to the date of this Annual General Meeting. The Company has received a notice in writing form a member pursuant to the provisions of Section 257 of the Companies Act, 1956 proposing Mr. Pradeep for the office of Director.

Mr. Pradeep is based in Oakland, California and he is presently working as Vice-President Global Infrastructure and Operation of NOL Group. He oversees the information technology support such as computer operations, telecommunications, networking, messaging, security, systems architecture and database & performance management. He has a proven record as a senior IT professional with more than 30 years' experience in the industry, specializing in the finance, transportation and logistics field.

The Board of Directors considers that in view of the background and experience of Mr. Pradeep, it would be in the interest of the Company to appoint him as a Director of the Company.

Mr. Pradeep does not hold any shares in the Company. The Board recommends this resolution for your approval. No director is concerned or interested in the passing of this resolution.

**On behalf of the Board of Directors**

**Place: Hyderabad**  
**Date: 31-07-2008**

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

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

<b>Particulars</b>	<b>Mr. B. S. Srivasan</b>
Date of Birth	07-05-1945
Date of appointment	12-07-2006
Qualifications	FCA
Expertise in specific functional areas	Practicing chartered accountant since 1974 and rendering services in the field of finance, accounts, auditing, internal controls, audit systems, income tax consultation.
Directorships held in other Public Companies (excluding foreign companies)	Nil
Memberships/ Chairmanships of committees across public companies (excluding foreign companies)	Nil
Shareholding in the Company	Nil

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<b>Particulars</b>	<b>Mr. Shanker Trivedi</b>
Date of Birth	08-11-1956
Date of appointment	30-09-2005
Qualifications	MBA (IIM - Kolkatta), MS (IIT- Delhi)
Expertise in specific functional areas	He has over 24 years of experience in senior marketing and executive business management positions in the U.S., U.K. and India.
Directorships held in other Public Companies (excluding foreign companies)	Nil
Memberships / Chairmanships of committees across public companies (excluding foreign companies)	Nil
Shareholding in the Company	Nil

## Director's Report

Dear Members of  
SoftSol India Limited

The Directors present their Eighteenth Annual Report and the Audited Statement of Accounts for the year ended March 31, 2008.

### Financial Results

(Rs. in lakhs)

	<u>2007-08</u>	<u>2006-07</u>
Gross Revenue	1899.41	1283.07
Total Expenditure	1338.73	520.73
Operating Profit	560.68	762.34
Other Income	465.59	103.52
Interest	3.32	1.20
Depreciation	312.95	97.87
Profit before Tax	710.00	766.79
Provision for Taxation	-205.01	287.34
Profit after Tax	915.01	479.45
Earning per Share (Rs.)	4.91	2.57

### Review of Operations

During the year under review, your Company recorded income of Rs. 1899.41 Lakhs from export of software in comparison with previous year's income of Rs. 1283.07 Lakhs. Your company achieved net profit of Rs. 915.01 Lakhs for the year in comparison with the previous year's net profit of Rs. 479.45 Lakhs.

SoftSol Resources Inc., (SRI) a wholly owned subsidiary of your Company, recorded total revenue of US\$ 13.43 Millions in comparison with the previous year's revenue of US\$ 14.60 Millions. SRI recorded net profit of US\$ 32,829 for the year 2007 in comparison with the previous year's net profit of US\$ 27,507.

### 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, Mr. B. S. Srinivasan and Mr. Shanker Trivedi, retire by rotation and being eligible offer themselves for re-appointment at this Annual General Meeting.



Mr. Predeep Kumar has been appointed as Additional Director on January 30, 2008. As per the provisions of Section 260 of the Companies Act, 1956, he holds office only up to the date of the forthcoming Annual General Meeting of the Company. The Company has received notices under Section 257 of the Act in respect of Mr. Pradeep Kumar proposing his appointment as a director of the Company, along with requisite deposit. Resolution seeking approval of the Shareholders for his appointment has been incorporated in the Notice of the forthcoming Annual General Meeting along with his brief details.

**Corporate Governance:**

A report on Corporate Governance along-with the Certificate of M/s. VBM Rao & Associates, Company Secretaries, 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 2007-2008 has 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 are 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.1,899.41 Lakhs (Previous year Rs.1283.07 Lakhs) and foreign exchange outgo was Rs. 128.04 Lakhs (previous year Rs. 253.06 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, 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: 31-07-2008**

**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 Independent & Non-Independent Directors. The Company has only one Executive Director and the Chairman is a Non-Executive Director. The number of Independent Non-Executive Directors is more than half of the Board's total strength. 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, 2008 is as follows:

Name of the Director	Category	Designation	Directorship in other Companies @	Chairmanship in committees of Boards of other Companies \$	Membership in committees of Boards of other Companies \$
Mr. Srinivasa Rao Madala	Promoter Director	Chairman	Nil	Nil	Nil
Mr. Bhaskar Rao Madala	Promoter Director	Whole time Director	Nil	Nil	Nil
Dr. T. Hanuman Chowdary	Independent Non-Executive Director	Director	Three	One	One
Mr. B.S. Srinivasan	Independent Non-Executive Director	Director	Nil	Nil	Nil
Mr. Shanker Trivedi	Independent Non-Executive Director	Director	Nil	Nil	Nil
Mr. Pradeep Kumar *	Independent Non-Executive Director	Director	Nil	Nil	Nil

@ Directorships in private and foreign companies are excluded.

\$ Membership of only Audit Committee and Share Transfers & Shareholders Grievance Committee has been considered.

\* Appointed as Director effective January 30, 2008.

**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 five times on 20-04-2007, 27-06-2007, 27-07-2007, 31-10-2007 and 30-01-2008. The attendance details of the directors at the Board Meetings and last Annual General Meeting is as follows:

Name of the Director	Number of meetings held	Number of meetings attended	Whether attended the AGM held on September 29, 2007
Mr. Srinivasa Rao Madala	5	1	Yes
Mr. Bhaskar Rao Madala	5	5	Yes
Dr. T. Hanuman Chowdary	5	5	Yes
Mr. B. S. Srinivasan	5	5	Yes
Mr. Shanker Trivedi	5	0	No
Mr. Pradeep Kumar	1	0	No

**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, 2008. 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 2007-08 Audit Committee of the Board of Directors met four times on 27-06-2007, 27-07-2007, 31-10-2007 and 30-01-2008.

The attendance details of the members of the audit committee is as follows:

Name of the Member	Number of Meetings held	Number of Meetings attended
Dr. T. Hanuman Chowdary	4	4
Mr. B. S. Srinivasan	4	4
Mr. Bhaskar Rao Madala	4	4

#### 4. Remuneration Committee

##### Terms of Reference:

The terms of reference of the Remuneration Committee are:

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

##### Remuneration Policy:

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.

The Remuneration Committee comprises of three non-executive directors Dr. T.Hanuman Chowdary, Mr. B.S.Srinivasan and Mr. Srinivasa Rao Madala. Dr. T. Hanuman Chowdary is the Chairman of the Committee.

The details of remuneration and sitting fees paid or provided to each of the Directors during the year 2007-08 are as follows:

Name of the Director	Designation	Salary & Perks	Commission	Sitting Fees	Total (In Rs.)
Mr. Srinivasa Rao Madala	Director	Nil	Nil	Nil	Nil
Mr. Bhaskar Rao Madala	Wholetime Director	11,63,480	Nil	Nil	11,63,480
Dr. T. Hanuman Chowdary	Director	Nil	Nil	25,000	25,000
Mr. Shanker Trivedi	Director	Nil	Nil	Nil	Nil
Mr. B.S.Srinivasan	Director	Nil	Nil	25,000	25,000
Mr. Pradeep Kumar	Director	Nil	Nil	Nil	Nil

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. 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. 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, 3 meetings were held on 27-06-2007, 31-10-2007 and 30-01-2008 and 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
2004-2005	Friday, 30 <sup>th</sup> September 2005 at 11.00 A.M.	At the Registered office of the Company at Plot No.4, Software Units Layout, Madhapur, Hyderabad – 500 081.
2005-2006	Friday, 29 <sup>th</sup> September 2006 at 11.00 A.M.	At the Registered office of the Company at Plot No.4, Software Units Layout, Madhapur, Hyderabad – 500 081.
2006-2007	Saturday, 29 <sup>th</sup> September 2007 at 10.30 A.M.	At the Registered office of the Company at Plot No.4, Software Units Layout, Madhapur, Hyderabad – 500 081.

No special resolution was passed by the shareholders at the last three Annual General Meetings. 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 47.57% of the total shareholding of SoftSol India Limited. SoftSol India Limited holds 100% shareholding of SoftSol Resources Inc., (SRI) and hence SRI is a wholly owned subsidiary of SIL. The transactions details of the Company with the STI & SRI as of 31.03.2008 are:

Details	Party Name	31-03-2008 (in Rs.)	31.03.2007 (in Rs.)
Sales	SoftSol Technologies Inc.,	1,89,92,890	4,48,91,797
	SoftSol Resources Inc.,	80,77,500	4,55,16,000
Onsite Expenditure	SoftSol Technologies Inc.,	78,41,068	Nil
Investment	SoftSol Resources Inc.,	95,34,04,053	95,34,04,053

No Loans and Advances to Subsidiary Company have been made in the financial year 2007-08.

There are no pecuniary relationship or transactions with non-executive director's 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 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.

**Prohibition of Insider Trading:**

In compliance with the SEBI Regulations on Prevention of Insider Trading, the Company has framed a Code of Conduct for insider trading regulations which is applicable to all the directors, officers and such employee's of the Company who are expected to have access to the unpublished price sensitive information relating to the Company. The Code lays down guidelines, which advises them on procedure to be followed and disclosures to be made, while dealing with the shares of the Company.

**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](http://www.softsolindia.com) and simultaneously posted on the Electronic Data Information Filing and Retrieval (EDIFAR) website, namely [www.sebiedifar.nic.in](http://www.sebiedifar.nic.in). The website is also accessible through a hyperlink 'EDIFAR' from the SEBI's official website, [www.sebi.gov.in](http://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. CEO Certification:**

The requisite certification from the Whole time Director required to be given under Clause-49 (V) was placed before the Board of Directors of the Company.

**10. General Shareholders Information:****Registered Office & address for Correspondence**

Plot No. 4, Software Units Layout, Madhapur, Hyderabad – 500 081.  
Telephone: + 91 (40) 30719500, Facsimile: + 91 (40) 30784306  
E-mail: softsol@softsolindia.com, Website: www.softsolindia.com

**Annual General Meeting: (Date, Time and Venue)**

Tuesday, the 30<sup>th</sup> day of September 2008 at 10.30 A.M. at the Registered Office of the Company.

**Financial Calendar**

The Company follows April to 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, 2008 to September 30, 2008 (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 2007-2008 to the Stock Exchange.

**Stock Code/Symbol**

The Bombay Stock Exchange Limited - 532344.

**Share Transfer Agent**

Karvy Computershare Private Limited, Plot No. 17 - 24, Vithalrao Nagar, Madhapur, Hyderabad-500 081, Andhra Pradesh, Phone: 040 - 23420815-820; Fax: 040 – 23420814. Email: jayaramanvk@karvy.com.

**Share Transfer System**

Equity Shares lodged for transfer in physical mode are normally registered within 15 days from the date of receipt. The Share Transfers and Shareholders Grievance Committee is handling all the Share Transfers and related transactions. As on March 31, 2008, 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, 2008, 13189503 Equity Shares of the Company forming 70.70 % 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 last financial year are as follows:

Month	BSE-High	BSE-Low	Month	BSE-High	BSE-Low
April 2007	37.75	28.00	October 2007	73.30	58.60
May 2007	36.00	28.00	November 2007	66.10	54.30
June 2007	34.50	28.55	December 2007	84.50	61.00
July 2007	61.85	28.20	January 2008	84.90	53.00
August 2007	99.00	59.95	February 2008	71.50	47.30
September 2007	73.80	57.00	March 2008	59.95	45.00

**Category wise Shareholding as at March 31, 2008.**

Category	No. of Shares held	Percentage of Shareholding (%)
Promoters	10832458	58.06
Mutual Funds and UTI	Nil	Nil
Banks, Financial Institutions,		
Insurance Companies	Nil	Nil
FII's	Nil	Nil
Private Corporate Bodies	196998	1.06
Indian Public	1966382	10.54
Non-Resident Indians	327630	1.75
Overseas Body Corporates	5331430	28.58
Clearing Members	910	0.01
<b>Total</b>	<b>18655808</b>	<b>100.00</b>

**Distribution of Shareholding as at March 31, 2008.**

Number of Equity Shares held	Shareholders (Numbers)	Shareholders (Percentage)	Shares (Numbers)	Shares (Percentage)
1 – 5000	2064	84.07	3877170	2.08
5001 – 10000	222	9.04	1931730	1.01
10001 – 20000	60	2.44	895110	0.48
20001 – 30000	25	1.02	627730	0.34
30001 – 40000	14	0.57	510590	0.28
40001 – 50000	14	0.57	645700	0.35
50001 – 100000	19	0.77	1489110	0.80
100001 & above	37	1.51	176580940	94.66
<b>Total</b>	<b>2455</b>	<b>100</b>	<b>18655808</b>	<b>100</b>

**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, 2008.

**On behalf of the Board of Directors**

**Place: Hyderabad**  
**Date: 31-07-2008**

**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) the year ended March 31, 2008 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: 31-07-2008**

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

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## 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.

### A. Industry structure and developments

Information technology has transformed businesses by creating productivity gains and new business models in the last two decades. As global delivery matures, multi-location strategies will become the norm and most sourcing destinations, including emerging locations, will grow in size.

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.

According to the National Association of Software and Services Companies, or NASSCOM strategic review 2008, the export revenue generated from the software and service industry (IT-BPO) in India was approximately \$ 24 billion in fiscal 2006. In fiscal 2007, the export revenue increased by 31% to \$31.8 billion. The projected export revenue for fiscal 2008 is approximately \$40.8 billion and which is likely to increase to \$60 billion by the end of 2010.

Despite a slowing economy, financial sector crisis in the US, and sharp appreciation of the rupee against the Dollar, the industry logged double-digit revenue growth. The robust performance was accounted for by more diversified geographic market exposure, continued expansion of the service portfolio of IT service providers.

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

### B. Opportunities and threats Global IT services and products

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.

The main risks causing concern to the IT Industry and your Company as well are Economic slowdown, ability to attract and retain talent, withdrawal of Tax benefits, Currency Exchange risks, High Customer concentration, etc.

Your Company has a Risk Assessment and minimization process, which is monitored on a periodic basis. Various risks that are closely monitored are Business risks i.e. Client concentration risk, geographical risk, competition risk and Financial risk mainly in the area of foreign currency fluctuations.

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.

### **C. 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.

Your Company will be setting up a new software development facility in Vizag. Apart from expanding the facilities to meet the requirements from the growth both from existing as well as new customers, your Company has also identified various areas which will drive the Company's growth plans. Some of the key growth drivers are Domain expertise, enhancement of service portfolio to clients, tap new geographies, strengthening marketing teams and inorganic initiatives.

### **D. Internal Control Systems and their adequacies**

The company strictly adheres to the internal control systems proven to be effective over the years. The internal audit team carries out extensive audit on all operations at regular intervals. The company implements the policies and procedures so as to safeguard the assets and interests of the company.

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

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

### **E. Financial Performance of the company**

Your company had a consolidated revenues of Rs. 74 crores and Rs. 9.29 crores net income in the current year. We expect to achieve significant growth in revenue and net income in the coming year.

### **F. Human Resources**

We have implemented Best practices in the area of Human resources so as to attract best talent and retain it. We have taken all adequate and necessary steps from time to time to maintain a competitive, healthy and harmonious work environment at all levels.

## Auditor's Report

To  
The Members of  
SoftSol India Limited,  
Hyderabad, (A.P)

We have audited the attached balance sheet of SoftSol India Limited, Hyderabad(AP) as at 31<sup>st</sup> March, 2008, and the Profit and Loss account for the year ended on that date annexed thereto, and its Cash Flow statement for the year ended on that date. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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 statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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.

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, the Profit and Loss Account and the Cash-flow Statement dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet, the Profit and Loss Account and the 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 31<sup>st</sup> March, 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the companies Act, 1956, in the manner so required, 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 31<sup>st</sup> March, 2008;
  - (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 the Cash-flow Statement, of the cash flows of the company for the year ended on that date.

For M/s. Brahmaya & Co.,  
Chartered Accountants

Place : Hyderabad  
Date : 30<sup>th</sup> June,2008

D.Seetharamaiah  
Partner  
Membership No:2907

**Annexure to Auditor's Report**

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

- 1.1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- 1.2. 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 during the year on such verification.
- 1.3. During the year the company has not disposed of a substantial part of its fixed assets that would affect the going concern status of the company.
- 2.1. No inventories are held, since the company is engaged in developing software and providing I.T.solutions, Accordingly clause 4(ii) is not applicable to the company for the year under report.
- 3.1.1 The company has neither granted not 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.
- 3.1.2 In view of the comment in paragraph 3.1.1 above, the clause 4(iii) (b), (c), (d), (e), (f) and (g) 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 inventory and fixed assets and with regard to the 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.
- 5.1 Based on the information and explanations given to us, we are of the opinion that the transactions that need to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- 5.2 In our opinion and according to the information and explanations given to us, the transactions which have been entered into, pursuant to contracts that have been 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 any deposits from public and consequently, the directives issued by the Reserve Bank of India and the provisions of sections 58A and 58AA or any other relevant provisions of the Companies Act 1956 and the rules framed thereunder are not applicable.
7. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
8. The Central Government as not prescribed the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 for the activities of the Company.
- 9.1 According to the information furnished to us, the company is regular in depositing with appropriate authorities, the undisputed statutory dues including Provident Fund, Investor Education Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to the Company.
- 9.2 According to the records of the Company and the information and explanations given to us, there no undisputed dues of Income Tax, Sales Tax, Service tax, Customs Duty and Cess which are not paid for a period of more than six monts.
- 9.3 According to the records of the Company and the information and explanations given to us, the following is the disputed demand in respect of Income Tax, which has not been deposited.

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.

10. The company has no accumulated losses as at the end of the financial year 31-03-2008 and it has not incurred cas.
11. In our opinion and according to the information and explanations furnished to us by the company, the company has not defaulted in repayment of its dues to financial institutions and banks at the date of the Balance Sheet. Default in repayment of debentures does not arise, since the Company has not issued any debentures.
12. According to the information and explanation given to us, the company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The company is neither a chit fund nor a nidhi/ mutual benefit fund /society. Hence the requirements of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company during the year under report.
14. According to the information furnished to us, the company is not trading in shares, securities, debentures and other investments. Accordingly, the requirements of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
15. According to the information and explanation given to us, the company has not given any guarantee for loans taken by others from banks and financial institutions.
16. According to the information and explanation 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 investments.
18. According to the information and explanations given to us, the company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under section 301 of the Act, or to any others.
19. According to the information and explanations given to us, the company has not issued any debentures during the year under report.
20. The company has not raised any money through public issues during the year. Accordingly, the provisions of clause 4(xx) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company during the year under report.
21. According to the information and explanations given to us, and based on the audit procedures generally adopted by us, we report that, during the year, no fraud on or by the company has been noticed or reported that is either significant or could have caused a material misstatement in the financial statements.

For M/s. Brahmaya & Co.,  
Chartered Accountants

D.Seetharamaiah  
Partner  
Membership No:2907

Place : Hyderabad  
Date : 30<sup>th</sup> June,2008

## BALANCE SHEET AS AT 31st MARCH 2008

Particulars	SCH. No.	As At 31st March 2008 (in Rupees)	As At 31st March 2007 (in Rupees)
<b>I SOURCES OF FUNDS</b>			
<b>1. Shareholder's funds</b>			
(a) Capital	01	190,416,190	190,416,190
(b) Reserves and Surplus	02	1,196,284,253	1,104,783,726
		<u>1,386,700,443</u>	<u>1,295,199,916</u>
<b>2. Loan funds</b>			
Secured Loan	03	2,701,378	4,376,710
<b>3. Deferred tax liability</b>			
		5,577,473	26,398,615
<b>T O T A L</b>		<u>1,394,979,294</u>	<u>1,325,975,241</u>
<b>II APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets</b>			
a) Gross Block	04	394,514,952	315,750,986
Less: Depreciation		<u>76,516,295</u>	<u>45,220,910</u>
b) Net Block		317,998,657	270,530,076
Add: i) Capital Work In Progress		22,492,563	29,016,712
ii) Unallocated Capital Expenditure	05	896,824	--
		<u>341,388,044</u>	<u>299,546,788</u>
<b>2. Investments</b>			
	06	953,410,053	953,410,053
<b>3. Current Assets, Loans and Advances</b>			
Work in progress		62,898,075	--
Sundry debtors	07	35,758,794	69,047,298
Cash and bank balances	08	29,264,462	27,563,872
Other current assets	09	16,545,964	13,462,811
Loans and advances	10	19,857,020	9,768,535
		<u>164,324,315</u>	<u>119,842,516</u>
<b>Less : Current Liabilities and Provisions</b>	11	64,143,118	46,824,116
<b>Net Current Assets</b>		<u>100,181,197</u>	<u>73,018,400</u>
<b>T O T A L</b>		<u>1,394,979,294</u>	<u>1,325,975,241</u>
<b>NOTES ON ACCOUNTS</b>	16		

per our report of even date  
For M/s. Brahmaya & Co.  
Chartered Accountants

For and on behalf of the Board

D. Seetaramaiah  
Partner

Bhaskar Rao Madala  
Whole time Director

Dr. T. Hanuman Chowdary  
Director

Place: Hyderabad  
Date: 30-06-2008

B.S. Srinivasan  
Director

C. Lalitha  
Company Secretary



## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008

Particulars	SCH. No.	Current Year (in Rupees)	Previous Year (in Rupees)
<b>INCOME</b>			
Software Exports		189,940,746	128,307,416
Other Income	12	46,558,752	10,352,136
		<u>236,499,498</u>	<u>138,659,552</u>
<b>EXPENDITURE</b>			
Personnel Cost	13	92,180,726	35,620,355
Operation and other expenses	14	41,692,343	16,452,499
		<u>133,873,069</u>	<u>52,072,854</u>
<b>PROFIT BEFORE INTEREST, DEPRECIATION AND TAXES</b>		<u>102,626,429</u>	<u>86,586,698</u>
Finance Charges	15	331,660	119,809
Depreciation	04	31,295,385	9,787,780
<b>PROFIT BEFORE TAXES</b>		<u>70,999,384</u>	<u>76,679,109</u>
<b>Provision for Taxation</b>			
Current Income tax		8,050,000	2,000,000
Minimum Alternative Tax (Credit)		(8,050,000)	--
Deferred tax		(20,821,142)	26,398,615
<b>Fringe Benefit Tax:</b>			
Current Year		320,000	200,000
Earlier Years		--	135,000
<b>PROFIT FOR THE YEAR AFTER TAXATION</b>		<u>91,500,526</u>	<u>47,945,494</u>
Add: Balance brought forward from previous year		<u>277,212,868</u>	<u>229,267,374</u>
<b>SURPLUS CARRIED TO BALANCE SHEET</b>		<u>368,713,394</u>	<u>277,212,868</u>
Earning Per Share ( Basic & Diluted)		4.91	2.57
<b>NOTES ON ACCOUNTS</b>	16		

per our report of even date  
For M/s. Brahmaya & Co.  
Chartered Accountants

For and on behalf of the Board

D. Seetaramaiah  
Partner

Bhaskar Rao Madala  
Whole time Director

Dr. T. Hanuman Chowdary  
Director

Place: Hyderabad  
Date: 30-06-2008

B.S. Srinivasan  
Director

C. Lalitha  
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2008

(Rs. In Lakhs)

	Year ended 31-03-2008	Year ended 31-03-2007
<b>A. CASH FLOW FORM OPERATING ACTIVITIES</b>		
Net Profit before Tax and Extraordinary Items	709.99	766.79
<b>Adjustments for:</b>		
Depreciation	312.95	97.88
Interest (Net)	(0.69)	(32.78)
Dividend Received	(10.27)	(20.37)
Provision for Leave Encashment	2.67	—
Provision for Gratuity	20.71	3.06
Loss on redemption of mutual fund investments	0.03	(1.48)
<b>Operating Profit before Working Capital changes</b>	<b>1,035.40</b>	<b>813.10</b>
<b>Adjustments for Working Capital:</b>		
Trade and other payables	434.28	(554.34)
Trade and other receivables	333.02	381.55
Inventories	(628.98)	—
<b>Net Cash generated from operations</b>	<b>1,173.73</b>	<b>640.31</b>
Direct Taxes Paid	(116.18)	(12.68)
<b>Net Cash from operating activities (A)</b>	<b>1,057.55</b>	<b>627.63</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Interest received	1.54	37.49
Dividend Paid	(0.01)	--
Dividends Received	10.27	20.37
Purchase of Fixed Assets	(1,032.24)	(2,214.33)
Sale of investments	1,135.29	1,191.85
Purchase of investments	(1,165.32)	(1,190.37)
<b>Net Cash flow from Investing Activities (B)</b>	<b>(1,020.47)</b>	<b>(2,154.99)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Proceeds from borrowings (Net)	(16.75)	43.77
Interest Paid	(3.32)	(1.20)
<b>Net Cash flow Financing Activities (C)</b>	<b>(20.07)</b>	<b>42.57</b>
<b>Net Increase in Cash and Cash Equivalents (A+B+C)</b>	<b>17.01</b>	<b>(1,484.79)</b>
Cash and cash Equivalents as at beginning of the year	275.64	1,760.43
Cash and cash Equivalents as at end of the year	292.64	275.64

per our report of even date  
For M/s. Brahmaya & Co.  
Chartered Accountants

For and on behalf of the Board

D. Seetaramaiah  
Partner

Bhaskar Rao Madala  
Whole time Director

Dr. T. Hanuman Chowdary  
Director

Place: Hyderabad  
Date: 30-06-2008

B.S. Srinivasan  
Director

C. Lalitha  
Company Secretary

**SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 31st MARCH 2008**

Particulars	As at 31.03.2008 (in Rupees)	As at 31.03.2007 (in Rupees)		
<b>01. SHARE CAPITAL</b>				
<b>Authorised</b>				
50,000,000 Equity Shares of Rs.10/- each	500,000,000	500,000,000		
<b>Issued</b>				
19,681,430 Equity Shares of Rs. 10/-each	196,814,300	196,814,300		
<b>Subscribed</b>				
19,455,630 Equity shares Rs. 10/- each	194,556,300	194,556,300		
<b>Paid Up Capital</b>				
18,627,608 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		
	186,417,080	186,417,080		
<b>Add: Forfeited shares ( amount originally paid up )</b>				
799,822 Equity shares of Rs. 5/- each	3,999,110	3,999,110		
<b>TOTAL</b>	<b>190,416,190</b>	<b>190,416,190</b>		
<b>02. RESERVES AND SURPLUS</b>				
	<b>Balance as at 31.03.2007</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance as at 31.03.2008</b>
Securities Premium Account	757,880,730	--	--	757,880,730
General Reserve	69,690,129	--	--	69,690,129
Surplus: Balance in Profit and Loss Account	277,212,867	368,713,394	277,212,867	368,713,394
<b>TOTAL</b>	<b>1,104,783,726</b>	<b>368,713,394</b>	<b>277,212,867</b>	<b>1,196,284,253</b>
<b>03. SECURED LOAN</b>				
From State Bank of India on Hypothecation of Vehicles			2,701,378	4,376,710
<b>TOTAL</b>			<b>2,701,378</b>	<b>4,376,710</b>
<b>06. INVESTMENTS</b>				
(At cost, Non-trade, Long -term, unquoted)				
<b>Government Securities</b>				
National Saving certificates			6,000	6,000
<b>Investments In Wholly Owned Subsidiary</b>				
13,120 common stock of \$ 100 each fully paid up			953,404,053	953,404,053
<b>TOTAL</b>			<b>953,410,053</b>	<b>953,410,053</b>

## 04. FIXED ASSETS

S. No.	PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		AS ON 31.03.2007 Rs.	ADDITIONS DURING YEAR Rs.	DELETIONS DURING YEAR Rs.	AS ON 31.03.2008	UP TO 31.03.2007 Rs.	ON DELETIONS Rs.	FOR THE YEAR Rs.	TOTAL UPTO 31.03.2008 Rs.	AS AT 31.03.2008 Rs.	AS AT 31.03.2007 Rs.
	<b>Tangible assets</b>										
1.	Land	19,458,449	-	-	19,458,449	-	-	-	-	19,458,449	19,458,449
2.	Building	146,068,538	56,119,962	-	202,188,500	10,539,627	-	6,830,762	17,370,389	184,818,111	135,528,911
3.	Computers	6,149,532	1,993,508	-	8,143,040	3,993,347	-	1,356,626	5,349,973	2,793,067	2,156,185
4.	Computers - Imported	17,917,199	3,270,785	-	21,187,984	10,556,264	-	3,975,604	14,531,868	6,656,116	7,360,935
5.	Air Condition System	30,531,678	2,739,556	-	33,271,234	2,755,956	-	3,991,271	6,747,227	26,524,007	27,775,722
6.	Generator	9,016,327	2,046,407	-	11,062,734	1,119,379	-	1,203,043	2,322,422	8,740,312	7,896,948
7.	Lift	5,872,985	-	-	5,872,985	539,885	-	741,834	1,281,719	4,591,266	5,333,100
8.	UPS	2,593,053	1,196,000	-	3,789,053	786,343	-	293,132	1,079,475	2,709,578	1,806,710
9.	Furniture and Fixtures	27,824,464	7,317,701	-	35,142,165	8,204,945	-	4,472,292	12,677,237	22,464,928	19,619,519
10.	Electrical Installation	30,877,550	206,929	-	31,084,479	3,899,173	-	4,911,842	8,811,015	22,273,464	26,978,377
11.	Office Equipment	8,973,787	818,838	-	9,792,625	656,778	-	1,236,262	1,893,040	7,899,585	8,317,009
12.	Office Equipment - Imp	463,645	-	-	463,645	242,698	-	30,734	273,432	190,213	220,947
13.	Net Working Equipment	1,611,053	1,748,680	-	3,359,733	59,037	-	305,899	364,936	2,994,797	1,552,016
14.	Fire Fighting Equipment	-	811,094	-	811,094	-	-	66,143	66,143	744,951	-
15.	Canteen Equipment	61,040	30,706	-	91,746	40,628	-	33,546	74,174	17,572	20,414
16.	Motors and Borewell	99,794	-	-	99,794	72,962	-	3,732	76,694	23,100	26,832
17.	Vehicles	7,352,834	-	-	7,352,834	1,413,215	-	1,537,768	2,950,983	4,401,851	5,939,619
18.	Xerox Machine - Imp	195,685	-	-	195,685	129,130	-	9,258	138,388	57,297	66,555
19.	Library	18,592	-	-	18,592	13,046	-	1,004	14,050	4,542	5,546
	<b>Intangible assets</b>										
20.	Software	664,781	463,800	-	1,128,581	198,499	-	294,633	493,132	635,449	466,282
		315,750,986	78,763,966	-	394,514,952	45,220,910	-	31,295,385	76,516,297	317,998,655	270,530,076
21.	Capital work in progress	29,016,712	51,709,481	58,233,630	22,492,563	-	-	-	-	22,492,563	29,016,712
		344,767,698	130,473,447	58,233,630	417,007,515	45,220,910	-	31,295,385	76,516,297	340,491,218	299,546,788
	Less : Internal Transfers	-	58,233,630	58,233,630	-	-	-	-	-	-	-
	<b>T O T A L</b>	<b>344,767,698</b>	<b>72,239,817</b>	<b>-</b>	<b>417,007,515</b>	<b>45,220,910</b>	<b>-</b>	<b>31,295,385</b>	<b>76,516,297</b>	<b>340,491,218</b>	<b>299,546,788</b>
	Previous Year 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

Particulars	As at 31.03.2008 ( in Rupees )	As at 31.03.2007 ( in Rupees )
<b>05. UNALLOCATED CAPITAL EXPENDITURE</b>		
Stores and Spares	3,510	--
Accounting Charges	11,236	--
Bank Charges	7,223	--
Car Hire Charges	154,810	--
Legal & Professional Charges	625,453	--
Printing & Stationary	292	--
Rent	94,300	--
<b>TOTAL</b>	<b>896,824</b>	<b>--</b>
<b>07. SUNDRY DEBTORS</b> ( Unsecured, Considered Good )		
Debts due over six months	--	--
Other debts	35,758,794	69,047,298
<b>TOTAL</b>	<b>35,758,794</b>	<b>69,047,298</b>
<b>08. CASH AND BANK BALANCES</b>		
Cash in hand	137,236	36,059
<b>Blance with scheduled banks in:</b>		
Current Accounts	24,461,183	11,804,562
Unpaid Dividend Accounts	1,422,632	1,423,932
Fixed Deposits	3,243,411	14,299,319
<b>TOTAL</b>	<b>29,264,462</b>	<b>27,563,872</b>
<b>09. OTHER CURRENT ASSETS</b>		
Prepaid Expenditure	575,361	986,881
Advance Income Tax & TDS( Net Of provisions)	15,222,482	11,974,682
Interest Accrued	748,121	501,248
<b>TOTAL</b>	<b>16,545,964</b>	<b>13,462,811</b>
<b>10. LOANS AND ADVANCES</b> (Unsecured, considered good ,recoverable in cash or in kind or for value to be received )		
Inter Corporate Deposits	1,889,518	1,727,878
Advances for Capital Works	8,052,260	6,411,471
Advances for Expenses	25,500	474,734
Deposits recoverable	1,819,742	1,001,952
Minimum Alternative Tax (Credit)	8,050,000	--
Staff advances	20,000	152,500
<b>TOTAL</b>	<b>19,857,020</b>	<b>9,768,535</b>

Particulars	As at 31.03.2008 ( in Rupees )	As at 31.03.2007 ( in Rupees )
<b>11. CURRENT LIABILITIES AND PROVISIONS</b>		
<b>Liabilities</b>		
Creditors for: Capital Goods	10,385,008	38,831,096
: Expenses	2,681,667	2,889,760
: Other Finance	1,450,296	1,861,019
Deposits Refundable	45,559,034	1,512,309
Unclaimed Dividend (not due for remittance to Investor Education and protection fund)	1,422,632	1,423,932
	<b>61,498,637</b>	<b>46,518,116</b>
<b>Provisions For :</b>		
Leave Encashment	267,005	--
Gratuity	2,377,476	306,000
	<b>2,644,481</b>	<b>306,000</b>
<b>TOTAL</b>	<b>64,143,118</b>	<b>46,824,116</b>

Particulars	Current Year (in Rupees)	Previous Year (in Rupees)
<b>12. OTHER INCOME</b>		
Interest earned ( Others, gross)	400,974	3,398,240
T D S : Current year Rs.33,403/- : previous year Rs.6,29,495/-		
Rents Received	44,840,042	4,747,035
Dividends from mutual funds	1,026,868	2,036,617
Excess Provisions Written Back	289,093	--
Profit on redemption of mutual fund investments	--	148,493
Miscellaneous receipts	1,775	21,751
<b>T O T A L</b>	<b>46,558,752</b>	<b>10,352,136</b>
<b>13. PERSONNEL COST</b>		
Salaries, Wages and Bonus	79,853,359	32,109,519
Contribution to provident and other funds	3,580,845	1,583,452
Staff welfare Expenses	6,474,956	1,927,384
Gratuity	2,271,566	--
<b>T O T A L</b>	<b>92,180,726</b>	<b>35,620,355</b>

Particulars	Current Year (in Rupees)	Previous Year (in Rupees)
<b>14. OPERATION AND OTHER EXPENSES</b>		
Rent, Rates and Taxes	2,337,991	2,253,230
Insurance	1,088,966	279,791
<b>Repairs and Maintenance to :</b>		
Equipment	183,524	130,550
Buildings	1,039,560	324,851
Others	2,307,104	1,265,277
Onsite Expenses	7,841,068	--
Advertisement	5,000	124,164
Commission	864,828	--
Communication Costs	1,422,850	722,893
Soft Link Charges	2,110,659	1,433,706
Printing and Stationery	328,247	299,570
S T P I - Service Charges	277,500	122,500
Director's sitting fees	50,000	53,000
<b>Auditor's Remuneration:</b>		
Statutory Audit	67,416	44,944
Tax Matters	55,000	--
Certification	22,466	--
Legal and Professional Services	2,428,860	1,285,359
Travelling and Conveyance	7,032,251	2,730,835
General Expenses	2,325,821	949,722
Bank Charges	228,210	433,476
Electricity Charges	3,707,049	2,363,418
ISO Expenses	28,160	49,794
Security Service Charges	1,889,393	328,926
Loss on Foreign Exchange Fluctuations	4,046,764	1,255,377
Donations	--	1,116
Short term Capital Loss	3,388	--
Sundry debit balances written off	268	--
<b>T O T A L</b>	<b>41,692,343</b>	<b>16,452,499</b>
<b>15 FINANCE CHARGES</b>		
Interest on Fixed Loans	331,660	119,809
<b>T O T A L</b>	<b>331,660</b>	<b>119,809</b>

**SCHEDULE – 16: 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 cost, Conventional and in accordance with generally accepted accounting practices.
  - 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 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 and leave encashment are provided on the basis of actuarial valuation.
  - h) Borrowing costs that are directly attributable to the acquisition, construction of fixed assets are capitalized as part of the cost of such assets.
  - i) Sales includes revenue recognized by the company under proportionate completion method as per the Accounting Standard –9 issued by Institute of Chartered Accountants of India for the services rendered and delivered as per the contracts entered.
  - j) 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.
  - k) Impairment of Assets: The Company assesses at each Balance sheet date, whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset, if such recoverable amount of the asset or the recoverable amount of the cash generation unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the asset is reflected at the recoverable amount subject to a maximum at depreciated historical cost.
  - l) 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.
  - m) Prior year adjustments, extraordinary items and changes in accounting policies having material impact on the financial affairs of the company are disclosed.
  - n) 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.



- o) 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 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. Details of purchase and sale of Mutual Funds:

S.No.	Particulars	Purchase		Sale	
		No. Units	Amount Rs.	No. Units	Amount Rs.
1	ICICI MUTUAL FUND	11572608	116532169	11572608	116528781

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 31<sup>st</sup> March, 2008 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 depreciation difference is the major component of deferred tax (asset)/Liability as on 31.03.2008.

Particulars	Amount Rs.
Difference between book and Tax depreciation	1,64,09,160

5. Fixed Deposit for Rs.32,43,411/- (Previous year Rs.28,28,128/) are in lien with Bankers towards margin against 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 assessment 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.  
b) Sundry Debtors includes an amount of Rs.59,95,749/- (Previous year Rs.1,52,56,500/-) 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 Year Rs.
Remuneration	10,85,000	8,40,000
Provident Fund Contribution	78,480	54,720
Total	<u>11,63,480</u>	<u>8,94,720</u>

	As at 31.03.2008 Rs.	As at 31.03.2007 Rs.
10. Contingent liabilities not provided for on account of:		
a) Guarantees given by the bankers	32,43,411	28,28,128
b) Claims against the company not acknowledged As debts	9,95,521	5,64,187
c) Demands from Income Tax Department disputed and pending in appeals	1,82,38,564	3,71,53,460
	Current Year Rs.	Previous Year Rs.
11. Value of imports calculated on C.I.F basis by the Company during the financial year in Respect of Capital goods	32,70,785	2,53,06,675
12. a) Expenditure in foreign currency during the Year on account of traveling excluding the tickets purchased in India	16,92,386	9,65,233
b) Onsite Expenses paid	78,41,068	--
13. Contracts to be executed on account of Capital contracts	17,60,791	--
14. Earnings in foreign currency on export of Software	18,99,40,746	12,83,07,416
15. There are no separate reportable segments as per the accounting Standard -17 “ Segmental Reporting “ issued by the Institute of Chartered Accountants of India.		
16. The details of related party transactions in terms of Accounting Standard (AS) 18 are as follows:		
a) Names of related parties and description of relationship:		
i) Key Management Personnel		
Sr. Madala Bhaskara Rao, Whole time Director		
ii) a) Subsidiary : M/s SoftSol Resources Inc USA (SRI)		
b) Associate : M/s SoftSol Technologies Inc, USA (STI)		
b) Transactions:		

Nature of relation	Remuneration		Sales		Onsite expenses	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Key Management personnel	11,63,480	8,94,720	—	—	—	—
Subsidiary	—	—	80,77,500	4,55,16,000	—	—
Associate	—	—	1,89,92,890	4,48,91,797	78,41,068	—

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)	1,86,65,990	2,66,50,142
M/s SoftSol Resources Inc USA (SRI)	59,95,749	1,52,56,500

17. Employee Benefits:

Effective from April 1, 2007 the Company has adopted the revised Accounting Standard (AS-15)(revised 2005), "Employee Benefits" in respect of Gratuity and Leave Encashment. The Company has provided for Gratuity and Leave encashment based on actuarial valuation on the basis of projected unit credit method.

The following table summarise the components of the net benefit recognized in the profit and loss account and amounts recognized in the balance sheet for the respective plans.

i) Profit and Loss account:

	Leave encashment	Gratuity
Current service cost	2,67,005	22,71,566
Interest cost	-	-
Actuarial Gain / loss	-	-
Net benefit expense	2,67,005	22,71,566

ii) Balance Sheet:

	Leave encashment	Gratuity
Opening balance of benefit obligations	2,67,005	1,05,910
Current service cost	-	-
Interest cost	-	-
Actuarial Gain / loss	-	-
Benefits paid	-	-
Closing balance of benefit obligations	2,67,005	23,77,476

The principal assumptions used in determining the Leave encashment and Gratuity benefits obligation for the Company's plans are as under:

**Leave encashment:**

Discount rate	8%
Further salaries raise	4%
Attrition Rate	1%
Mortality	Lic 94-96
Withdrawal	Ignored

**Gratuity:**

Discount rate	8%
Mortality	Lic 94-96
Further salaries raise	4%
Attrition Rate	1%

The estimates of future salary increase; considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

## 18. Earnings per share (E.P.S.)

	Current Year	Previous Year
i) Net Profit as per Profit and Loss Account Available for Equity Shareholders (Rs.)	9,15,00,526	4,79,45,494
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)	4.91	2.57

19. Previous year figures have been regrouped wherever necessary.

per our report of even date  
For M/s. Brahmaya & Co.  
Chartered Accountants

For and on behalf of the Board

D. Seetaramaiah  
Partner

Bhaskar Rao Madala  
Whole time Director

Dr. T. Hanuman Chowdary  
Director

Place: Hyderabad  
Date: 30-06-2008

B.S. Srinivasan  
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: 31.03.2008

**II. Ca1. Capital raised during the year**

(Amount in Rs. Thousand)

Public Issue                                      Nil                      Right Issue:                      Nil

Bonus Issus:                                      Nil                      Private Placement:                      Nil

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

Total Liabilities:                                      1394979                      Total Assets:                                      1394979

**Sources of Funds**

Paid up Capital:                                      190416                      Reserves & Surplus:                                      1196284

Secured Loans:                                      2701                      Unsecured Loans:                                      Nil

Deferred Tax Liability                                      5578

**Application of Funds:**

Net Fixed Assets:                                      341388                      Investments:                                      953410

Net Current Assets:                                      100181                      Misc. Expenditure:                                      Nil

Accumulated Losses:                                      Nil

**IV. Performance of the Company**

Turnover:                                      236499                      Total Expenditure:                                      165500

Profit/Loss before Tax:                                      70999                      Profit/Loss after Tax:                                      91501

Earning per Share:                                      4.91                      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: 30-06-2008

Bhaskar Rao Madala  
Whole-time Director

Statement Pursuant To Section 212(e) Of The Companies Act, 1956

<b>Name of the Subsidiary Company</b>	<b>SoftSol Resources Inc., USA</b>
1. Financial Year of the Subsidiary ended on	December 31, 2007
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 Soft Sol India Limited	
i) Dealt within the Accounts of SoftSol India Limited	Nil
ii) Not Dealt within the Accounts of SoftSol India Limited	USD 35,054
4. Net Aggregate Amount of Profits / (Losses) of the Subsidiary for the previous financial year so far as they concern Members of Soft Sol India Limited	
i) Dealt within the Accounts of SoftSol India Limited	Nil
ii) Not Dealt within the Accounts of Soft Sol India Limited	USD 30,958

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: 30-06-2008

(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](http://www.softsolusa.com)

### Auditors

The Chugh Firm  
An Accountancy Corporation  
California, USA.  
Website: [www.chugh.com](http://www.chugh.com)

## Board of Director's Report 2007

Dear Members

Your Directors take pleasure in presenting their report for the financial year 2007.

### The Financial HigWights :

(USD in OOO's)

Particulars	2007	2006
Total Revenue	13,432	14,602
Other Income	89	47
Total Operating Expense	13,343	14,598
Provision for Taxation	52	24
Net Profit	33	28

### 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 AUDITOR'S 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, 2007, and the related statements of income, retained earnings, and cash flows 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 the 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, 2007, 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

April 4, 2008.



**BALANCE SHEET AS OF DECEMBER 31,2007**

	As of 31.12.2007 in USD	As of 31.12.2007 in Rs.	As of 31.12.2006 in USD
	1USD = 39.97		
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	307,707.00	12,299,048.79	1,162,034.00
Accounts Receivable	2,806,559.00	112,178,163.23	2,661,692.00
Less: Allowance for doubtful Accounts	(72,451.00)	(2,895,866.47)	(46,064.00)
Cost and estimated earnings in excess of Billings on uncompleted contracts	-	-	-
Receivable Others	-	-	100,000.00
Receivables from STI	513.00	20,504.61	20,270.00
Investment in securities	111,458.00	4,454,976.26	102,233.00
Interest Receivable	-	-	-
Employee Advances	81,432.00	3,254,837.04	170,622.00
Prepaid Insurance	-	-	-
Prepaid Expenses	52,819.00	2,111,175.43	53,344.00
Prepaid Federal Income Taxes	-	-	-
Prepaid Rent	-	-	-
Deffered tax asset	32,368.00	1,293,748.96	18,033.00
<b>Total Current Assets</b>	<b>3,320,405.00</b>	<b>132,716,587.85</b>	<b>4,242,164.00</b>
<b>Property &amp; Equipment</b>			
Property and Equipment	319,632.00	12,775,691.04	282,052.00
Less: Accumulated Depreciation	(245,023.00)	(9,793,569.31)	(207,204.00)
<b>Total Property &amp; Equipment</b>	<b>74,609.00</b>	<b>2,982,121.73</b>	<b>74,848.00</b>
<b>Other Assets</b>			
Investment	203,322.00	8,126,780.34	203,322.00
Deferred Tax Assets	24,066.00	961,918.02	18,772.00
Restricted Cash	-	-	-
Refundable Deposits	9,032.00	361,009.04	9,033.00
<b>Total Other Assets</b>	<b>236,420.00</b>	<b>9,449,707.40</b>	<b>231,127.00</b>
<b>Total Assets</b>	<b>3,631,434.00</b>	<b>145,148,416.98</b>	<b>4,548,139.00</b>
<b>Liabilities and Stock Holders equity</b>			
<b>Current Liabilities</b>			
Account Payable-Trade	652,010.00	26,060,839.70	2,435,295.00
SVB Line of credit	556,078.00	22,226,437.66	-
Other Current Liabilities	-	-	-
See Schedule-1-Statement of Other Current Liabilities	321,476.00	12,849,395.72	46,100.00
<b>Total Current Liabilities</b>	<b>1,529,564.00</b>	<b>61,136,673.08</b>	<b>2,481,395.00</b>
Differed Tax Liabilities	-	-	-
<b>Total Liabilities</b>	<b>1,529,564.00</b>	<b>61,136,673.08</b>	<b>2,481,395.00</b>
<b>Stockholders Equity</b>			
Common Stock, \$ 100 par, 1,000,000 shares authorised, 13,120 shares issued and outstanding	1,312,000.00	52,440,640.00	1,312,000.00
Retained Earnings	784,194.00	31,344,234.18	751,293.00
Accrued other comprehensive Income	5,676.00	226,869.72	3,451.00
<b>Total Stockholders Equity</b>	<b>2,101,870.00</b>	<b>84,011,743.90</b>	<b>2,066,744.00</b>
<b>Total Liabilities and Stockholders Equity</b>	<b>3,631,434.00</b>	<b>145,148,416.98</b>	<b>4,548,139.00</b>

**STATEMENT OF INCOME OF INCOME FOR THE YEAR ENDED - DECEMBER 31, 2007**

	As of 31.12.2007 in USD	As of 31.12.2007 in Rs.	As of 31.12.2006 in USD
		1USD = 41.55	
<b>Revenue</b>			
Consulting Income	13,432,575.00	558,123,491.25	14,602,965.00
<b>Total Revenue</b>	<b>13,432,575.00</b>	<b>558,123,491.25</b>	<b>14,602,965.00</b>
<b>Cost of Sales</b>			
See Schedule 2-Analysis of Cost of Sales	11,420,046.00	474,502,911.30	12,569,937.00
<b>Gross Profit</b>	2,012,529.00	83,620,579.95	2,033,028.00
<b>Operating Expenses</b>			
Selling Expenses			
See Schedule 3-Analysis of Selling expenses	702,172.00	29,175,246.60	635,261.00
General & Administrative Expenses			
See Schedule 4-Analysis of G & A Expenses	1,220,797.00	50,724,115.35	1,393,034.00
<b>Total operating expenses</b>	1,922,969.00	79,899,361.95	2,028,295.00
<b>Income from operations</b>	89,560.00	3,721,218.00	4,733.00
<b>Other Income ( Other Expenses)</b>			
Interest Income	-	-	9,949.00
Dividend Income	30,651.00	1,273,549.05	17,175.00
Other Income	6,501.00	270,116.55	58,069.00
Loss on Disposal of Assets	-	-	(738.00)
Interest Expense	(40,938.00)	(1,700,973.90)	(37,209.00)
Total Other Income	(3,786.00)	(157,308.30)	47,246.00
<b>Income from Operations before Income Taxes</b>	85,774.00	3,563,909.70	51,979.00
<b>Provision for Income Taxes</b>			
Federal Income Tax-Current	55,826.00	2,319,570.30	21,550.00
State Income Tax-Current	16,748.00	695,879.40	10,077.00
Federal Income Tax-Deferred	(16,008.00)	(665,132.40)	(5,087.00)
State Income Tax-Deferred	(3,621.00)	(150,452.55)	(2,068.00)
Total Provision for Income Tax	52,945.00	2,199,864.75	24,472.00
<b>Net Income</b>	<b>32,829.00</b>	<b>1,364,044.95</b>	<b>27,507.00</b>
<b>Other Comprehensive income</b>			
Unrealised gain(Losses) on securities	2,225.00	92,448.75	3,451.00
<b>Comprehensive Income</b>	<b>35,054.00</b>	<b>1,456,493.70</b>	<b>30,958.00</b>
Earnings per Share (13,120 shares)	2.50	103.88	1.83
<b>Statement of Retained Earnings</b>			
Retained Earnings, January 1, 2007	751,293.00	30,029,181.21	723,786.00
Federal Taxes/Penalties	72.00	2,991.60	-
Net Income	32,829.00	1,364,044.95	27,507.00
<b>Retained Earnings, December 31, 2007</b>	<b>784,194.00</b>	<b>31,396,217.76</b>	<b>751,293.00</b>

## SoftSol Resources Inc., USA

### Schedule - 1

#### Analysis of their current liabilities

	As of 31.12.2007 in USD	As of 31.12.2007 in Rs.	As of 31.12.2006 in USD
Federal Income tax Payable	55,826.00	2,231,365.22	1,019.00
State Income Tax Payable	7,108.00	284,106.76	7,648.00
Payroll Taxes Payable	166,069.00	6,637,777.93	-
Flexible Spending Payable	28,426.00	1,136,187.22	12,913.00
Accrued Wages & Salaries	54,237.00	2,167,852.89	14,710.00
401K Payable	9,810.00	392,105.70	9,810.00
<b>Total Other Current Liabilities</b>	<b>321,476.00</b>	<b>12,849,395.72</b>	<b>46,100.00</b>

### Schedule-2

#### Analysis of Cost of Sales

	As of 31.12.2007 in USD	As of 31.12.2007 in Rs.	As of 31.12.2006 in USD
Consulting Outsourced	3,189,082.00	132,506,357.10	5,752,564.00
Consulting Outsourced-SIL	300,000.00	12,465,000.00	1,052,000.00
Salaries & Wages -Consultants	6,604,516.00	274,417,639.80	4,845,335.00
Taxes-Payroll-Consultants	493,311.00	20,497,072.05	381,623.00
Per Diem - consultant	370,485.00	15,393,651.75	191,524.00
Insurance Medical & Dental	266,538.00	11,074,653.90	182,116.00
Legal & Immigration-Consultants	180,127.00	7,484,276.85	158,584.00
Employee Relocation Expenses	-	-	2,220.00
Professional Development	2,425.00	100,758.75	-
Travel-Consultancy	13,562.00	563,501.10	3,896.00
Purchases Discount Received	-	-	75.00
<b>Total Cost of Sales</b>	<b>11,420,046.00</b>	<b>474,502,911.30</b>	<b>12,569,937.00</b>

### Schedule-3

#### Analysis of Selling Expenses

	As of 31.12.2007 in USD	As of 31.12.2007 in Rs.	As of 31.12.2006 in USD
Salaries & Wages	595,299.00	24,734,673.45	565,344.00
Taxes-Payroll	41,136.00	1,709,200.80	34,886.00
Insurance Medical & Dental	65,737.00	2,731,372.35	35,031.00
<b>Total Selling Expenses</b>	<b>702,172.00</b>	<b>29,175,246.60</b>	<b>635,261.00</b>

# SoftSol Resources Inc., USA

## Schedule-4

### General & Administrative Expenses

	As of 31.12.2007 in USD	As of 31.12.2007 in Rs.	As of 31.12.2006 in USD
Auto Expenses	23,194.00	963,710.70	54,567.00
Bad debt Expenses	86,017.00	3,574,006.35	7,104.00
Bank Charges	29,193.00	1,212,969.15	38,971.00
Charitable Contribution	10,000.00	415,500.00	180.00
Depreciation	37,819.00	1,571,379.45	44,943.00
Dues & Publication	11,631.00	483,268.05	16,604.00
Equipment Rental	4,357.00	181,033.35	2,935.00
Frieght & Postage	10,239.00	425,430.45	10,022.00
Internet Access & Web Hosting	1,308.00	54,347.40	4,501.00
Insurance	25,035.00	1,040,204.25	117,556.00
Janitorial	6,451.00	268,039.05	3,956.00
Leagl Fees	-	-	-
Meals & Entertainment	14,879.00	618,222.45	21,760.00
Miscellaneous Expenses	(2,466.00)	(102,462.30)	49,281.00
Office Expenses	25,411.00	1,055,827.05	8,622.00
Officers Salraies & Wages	108,806.00	4,520,889.30	180,000.00
Outside Services	67,187.00	2,791,619.85	31,829.00
Professional Fees	53,550.00	2,225,002.50	117,810.00
Professional Development	548.00	22,769.40	23,931.00
Promotional	2,387.00	99,179.85	-
Recuriting	42,799.00	1,778,298.45	36,364.00
Rent	148,698.00	6,178,401.90	151,907.00
Salraies & Wages	196,887.00	8,180,654.85	261,451.00
Supplies	49,025.00	2,036,988.75	24,928.00
Taxes, Permits & Licenses	8,747.00	363,437.85	7,183.00
Taxes Payroll	23,132.00	961,134.60	23,938.00
Taxes-Prpoerty	770.00	31,993.50	-
Taxes-State Prior Year	407.00	16,910.85	-
Telephone	61,092.00	2,538,372.60	46,171.00
Travel	143,965.00	5,981,745.75	85,974.00
Repairs & Manitenance	693.00	28,794.15	906.00
Staff welfare	4,664.00	193,789.20	-
Utilites	24,372.00	1,012,656.60	19,640.00
<b>Total General &amp; Administrative Expenses</b>	<b>1,220,797.00</b>	<b>50,724,115.35</b>	<b>1,393,034.00</b>

## Statement of Cash Flow for the Year ended December 31, 2007

	Year Ended 31.12.2007 in USD	Year Ended 31.12.2007 in Rs.	Year Ended 31.12.2006 in USD
<b><u>Cash Flows from Operating Activities</u></b>			
Net Income	32,829	1,312,175	27,507
<b>Adjustments to reconcile Net Income to Net Cash provided by Operations :</b>			
Depreciation	37,819	1,511,625	44,943
Provision for Bad and Doubtful Accounts	86,017	3,438,099	7,104
Prior period adjustment	-	-	-
<b>Changes in Operating Assets &amp; Liabilities:</b>			
Increase in Accounts Receivable	(204,497)	(8,173,745)	(704,326)
Decrease/(Increase) in Cost & Estimated Earnings in excess of billings	-	-	507,000
Decrease/(Increase) in Pre paid Expenses	525	20,984	10,033
Decrease/(Increase) in Employee Advances	89,190	3,564,924	(162,778)
Increase in receivable others	119,757	4,786,687	(19,270)
Decrease in Deposits	-	-	-
Increase in Accounts Payable	(1,783,285)	(71,277,901)	616,276
Increase/(Decrease) in Accrued production Cost	-	-	(338,000)
Increase in Accrued Liabilities	221,109	8,837,727	(93,661)
Increase in Income Tax Payable	54,267	2,169,052	4,815
Increase in deferred tax asset	(19,629)	(784,571)	(7,154)
Deferred Tax Liabilities	-	-	-
<b>Net Cash Provided by (used in) Operating Activities</b>	<b>(1,365,898)</b>	<b>(54,594,943)</b>	<b>(107,511)</b>
<b><u>Cash Flow from Investing Activities :</u></b>			
Sale/( Purchase) of property and equipment	(37,580)	(1,502,073)	(18,326)
Investment in Stock	(6,927)	(276,872)	(98,782)
<b>Net Cash provided by(used in) Investing Activities</b>	<b>(44,507)</b>	<b>(1,778,945)</b>	<b>(117,108)</b>
<b><u>Cash Flow from Financing Activities :</u></b>			
SVB Line of Credit	556,078	22,226,438	-
<b>Net Cash Provided by (used in) Financing Activities</b>	<b>556,078</b>	<b>22,226,438</b>	<b>-</b>
<b><u>Net Increase(Decrease) in Cash &amp; Cash Equivalents</u></b>	<b>(854,327)</b>	<b>(34,147,450)</b>	<b>(224,619)</b>
<b>Cash &amp; Cash Equivalents at the Beginning of the Year</b>	<b>1,162,034</b>	<b>46,446,499</b>	<b>1,386,653</b>
<b>Cash &amp; Cash Equivalents at the end of the Year</b>	<b>307,707</b>	<b>12,299,049</b>	<b>1,162,034</b>
<b>Supplementary Disclosure</b>			
Interest paid during the Year	40,938	1,636,292	37,209
Income Tax paid during the Year	19,768	790,127	6,007

## Notes to Financial Statements (Dec 31st, 2007)

### 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 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, 2007 is \$ 37,819

### **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 SF AS 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.

## SoftSol Resources Inc., USA

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### 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, Nevada Corporation.

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

The company has entered into professional services agreement with SIL India, SoftSol Technologies, Inc, TDK, LLC 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, 2007.

<u>Argonaut General Staffing</u>	<u>Amount (in USD)</u>
Rental Income	18,000
Receivable	66,000
Accounts Payable	10,000
Consulting Outsourced	90,000
<u>SoftSol Technologies Inc.,</u>	
Rental Income	6,000
Receivable - Others	512
Consulting Outsourced	112,500
Consulting Income	1,149,314
Accounts Receivable	625,078
Accounts Payable	9,500
<u>SoftSol India Limited</u>	
Consulting Outsourced	300,000
Accounts Payable	100,000
<u>TDK, Llc</u>	
Consulting Outsourced	47,083
Consulting Income	495,595
Accounts Receivable	268,270

### 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 and was renewed for another 5 years. New lease agreement will expires on April 30, 2013.



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

<u>Year</u>	<u>Amount (in USD)</u>
2008	117,769
2009	125,277
2010	129,500
2011	133,722
2012	137,945
2013	46,451

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 \$148,698 for the year ended December 31, 2007.

### **Note 5 - Concentration of Credit Risk**

The Majority of cash and cash equivalents are maintained with two major financial institutions in the United States. Deposits with these banks exceed the amount of the \$100,000 Federal Deposit Insurance Corporation (FDIC) insurance provided on such deposits.

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

The Company's sales to its major customer, Cisco totaled \$ 2.7 million that accounts for 20% of company's total revenue for the year. Accounts receivable from Cisco as of December 31, 2007 is \$ 552,524 which is 20% 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, 2007, the employee advances has balance of \$ 81,432.

### **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, 2007, and therefore, no impairment charges were required.

## SoftSol Resources Inc., USA

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The amortized cost, gross unrealized gains and losses and fair value of the investment securities available-for-sale as of December 31, 2007 is as follows:

	Amortized Cost	Gross unrealized Gains	Gross unrealized loss	Fair Value
Equities	\$ 93,752	\$ 8,501	-	\$ 102,253
Mutual Funds	9,661	(456)	-	9,205
	\$ 103,413	\$ 8,045	-	\$102,233

Proceeds from sale of investment securities available-for-sale during year end was \$18,000. No gain or loss was recognized on this sale.

### Note 8 - 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 31,2007 is derived in the United States.

The provision for income taxes consisted of the following:

Year Ended	2007
<b>Federal:</b>	
Current	\$ 55,826
Deferred	(16,008)
<b>State:</b>	
Current	16,748
Deferred	(3,621)
<b>Total Provision for income tax</b>	<b>\$ 52,945</b>

Significant components of the Company's deferred tax assets and liabilities at December 31, 2007, are as follows:

<b>Deferred Tax Assets</b>	
Current	\$ 32,368
Non Current	24,066
<b>Deferred Tax Liability</b>	
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, 2007.

### **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, 2007 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. The Company has \$28,426 as accumulated contributions into this account as of December 31, 2007.

### **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 October 11, 2008. Interest expenses for year is \$40,938.

### **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 Shareholders of  
Softsol India Limited  
Hyderabad

We have examined the attached –consolidated Balance Sheet of M/s. SoftSol India Limited (“the Company”) and its subsidiary as at 31<sup>st</sup> March,2008 and also the Consolidated Profit & Loss Account for the year then ended annexed thereto and the Consolidated Cash Flow Statement for the year ended on that date annexed there to. These financial statements are the responsibility of the company’s management. Our Responsibility is to express as 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 whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provided a reasonable basis for our opinion.

We did not audit the financial statements of the subsidiary VIZ., SoftSol Resources Inc.,USA.The financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, is so far as it relates to the amounts included in respect of this subsidiary, is based solely on the report of the other auditors.

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

In our opinion and to the best of our information and according to explanations given to us, the consolidated financial statements give a true and fare 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 as at 31st March 2008.
- b) In the case of the Consolidated Profit and Loss account of the company and its subsidiary 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 Company and its subsidiary for the year then ended.

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

D.Seetharamaiah  
Partner  
Membership No:2907

Place : Hyderabad  
Date : 30<sup>th</sup> June,2008

## CONSOLIDATED BALANCE SHEET AS AT 31st March 2008

Particulars	Sch. No.	As At 31st March 2008 (in Rupees)	As At 31st March 2007 (in Rupees)
<b>I SOURCES OF FUNDS</b>			
<b>1. Shareholder's funds</b>			
(a) Capital	01	190,416,190	190,416,190
(b) Reserves and Surplus	02	1,227,855,356	1,137,683,016
		<u>1,418,271,546</u>	<u>1,328,099,206</u>
<b>2. Loan funds</b>	03		
Secured Loan		2,701,378	4,376,710
<b>3. Deferred tax liability</b>		5,577,473	26,398,615
<b>T O T A L</b>		<u>1,426,550,397</u>	<u>1,358,874,531</u>
<b>II APPLICATION OF FUNDS</b>			
<b>1. Fixed Assets</b>			
a) Gross Block	04	1,308,254,057	1,224,259,605
Less: Depreciation		<u>86,309,865</u>	<u>54,252,931</u>
b) Net Block		1,221,944,192	1,170,006,674
Add: I) Capital Work In Progress		22,492,563	29,016,712
ii) Unallocated Capital Expenditure	05	896,824	
		<u>1,245,333,579</u>	<u>1,199,023,386</u>
<b>2. Investments</b>	06	<u>12,587,756</u>	<u>13,325,142</u>
<b>3. Current Assets, Loans and Advances</b>			
Work in progress		62,898,075	--
Sundry debtors	07	139,065,847	167,876,103
Cash and bank balances	08	41,924,520	78,216,934
Other current assets	09	20,912,806	16,170,988
Loans and advances	10	23,111,857	17,795,697
		<u>287,913,105</u>	<u>280,059,722</u>
<b>Less : Current Liabilities and Provisions</b>	11	119,284,043	133,533,719
Net Current Assets		<u>168,629,062</u>	<u>146,526,003</u>
<b>T O T A L</b>		<u>1,426,550,397</u>	<u>1,358,874,531</u>
<b>NOTES ON ACCOUNTS</b>	16		

per our report of even date  
For M/s. Brahmaya & Co.  
Chartered Accountants

For and on behalf of the Board

D. Seetaramaiah  
Partner

Bhaskar Rao Madala  
Whole time Director

Dr. T. Hanuman Chowdary  
Director

Place: Hyderabad  
Date: 30-06-2008

B.S. Srinivasan  
Director

C. Lalitha  
Company Secretary

## CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2008

Particulars	SCH. No.	Current Year (in Rupees)	Previous Year (in Rupees)
<b><u>INCOME</u></b>			
Software Exports		739,986,737	733,428,672
Other Income	12	48,194,867	14,261,336
		<b>788,181,604</b>	<b>747,690,008</b>
<b><u>EXPENDITURE</u></b>			
Personnel Cost	13	467,697,328	340,059,281
Operation and other expenses	14	210,929,136	314,976,665
		<b>678,626,464</b>	<b>655,035,946</b>
<b>PROFIT BEFORE INTEREST, DEPRECIATION AND TAXES</b>		<b>109,555,140</b>	<b>92,654,062</b>
Finance Charges	15	2,032,634	1,760,726
Depreciation		32,866,764	11,769,766
<b>PROFIT BEFORE TAXES</b>		<b>74,655,742</b>	<b>79,123,570</b>
<b>Provision for Taxation</b>			
Current Income tax		10,246,873	3,079,215
Minimum Alternative Tax(Credit)		(8,050,000)	
Deferred tax		(20,821,142)	26,398,615
Fringe Benefit Tax:			
Current Year		320,000	200,000
Earlier Years		-	135,000
<b>PROFIT FOR THE YEAR AFTER TAXATION</b>		<b>92,960,011</b>	<b>49,310,740</b>
Add: Balance brought forward from previous year		307,745,839	258,435,099
<b>SURPLUS CARRIED TO BALANCE SHEET</b>		<b>400,705,850</b>	<b>307,745,839</b>
Earning Per Share ( Basic & Diluted)		4.99	2.65

## NOTES ON ACCOUNTS

16

per our report of even date  
For M/s. Brahmaya & Co.  
Chartered Accountants

For and on behalf of the Board

D. Seetaramaiah  
Partner

Bhaskar Rao Madala  
Whole time Director

Dr. T. Hanuman Chowdary  
Director

Place: Hyderabad  
Date: 30-06-2008

B.S. Srinivasan  
Director

C. Lalitha  
Company Secretary

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2008

	(Rs. In Lakhs)	
	Year ended 31-03-2008	Year ended 31-03-2007
<b>A CASH FLOW FROM OPERATING ACTIVITIES :</b>		
Net profit before Tax and Extraordinary Items	746.56	791.24
<b>Adjustments for :</b>		
Depreciation	328.67	117.70
Interest (Net)	16.32	(20.76)
Dividend Received	(23.00)	(27.94)
Loss/(Profit) on redemption of Mutual Fund Investments	0.03	(1.48)
Provision for Gratuity	20.71	-
Effect Exchange in rate difference	(35.42)	(7.54)
Provision for Leave Encashment	2.67	-
<b>Operating Profit before working Capital changes</b>	<b>1,056.54</b>	<b>851.21</b>
<b>Adjustments for Working Capital :</b>		
Trade and other receivables	225.79	(45.75)
Trade and other payables	118.59	225.66
Inventories	(628.98)	-
<b>Net Cash generated from operations</b>	<b>771.94</b>	<b>1,031.12</b>
Direct Taxes Paid	(19.48)	(13.55)
<b>Net Cash flow from Operating Activities</b>	<b>752.46</b>	<b>1,017.57</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES :</b>		
Interest Received	1.64	42.32
Dividend Received	23.00	27.94
Purchase of Fixed Assets	(1,110.27)	(2,234.83)
Sale of Investments	1,172.66	1,191.85
Purchase of Investments	(1,165.32)	(1,232.91)
<b>Net Cash flow from Investing Activities</b>	<b>(1,078.29)</b>	<b>(2,205.63)</b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES :</b>		
Secured Loan	(16.75)	43.77
Interest Paid	(20.33)	(17.61)
Dividend Paid	(0.01)	-
<b>Net Cash flow from Financing Activities</b>	<b>(37.09)</b>	<b>26.16</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>(362.92)</b>	<b>(1,161.90)</b>
Cash and Cash Equivalents as at beginning of the year	782.17	1,944.07
<b>Closing Cash and Cash Equivalents</b>	<b>419.25</b>	<b>782.17</b>

per our report of even date

For and on behalf of the Board

For M/s. Brahmayya & Co.  
Chartered AccountantsD. Seetaramaiah  
PartnerBhaskar Rao Madala  
Whole time DirectorDr. T. Hanuman Chowdary  
DirectorPlace: Hyderabad  
Date: 30-06-2008B.S. Srinivasan  
DirectorC. Lalitha  
Company Secretary

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR  
ENDED 31st MARCH 2008

Particulars	As at 31.03.2008 (in Rupees)	As at 31.03.2007 (in Rupees)		
<b>01. SHARE CAPITAL</b>				
<b>Authorised</b>				
50,000,000 Equity Shares of Rs.10/- each	500,000,000	500,000,000		
<b>Issued</b>				
19,681,430 Equity Shares of Rs. 10/-each	196,814,300	196,814,300		
<b>Subscribed</b>				
19,455,630 Equity shares Rs. 10/- each	194,556,300	194,556,300		
<b>Paid Up Capital</b>				
18,627,608 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		
	<b>186,417,080</b>	<b>186,417,080</b>		
<b>Add: Forfeited shares ( amount originally paid up )</b>				
799,822 Equity shares of Rs. 5/- each	3,999,110	3,999,110		
<b>TOTAL</b>	<b>190,416,190</b>	<b>190,416,190</b>		
<b>02. RESERVES AND SURPLUS</b>	<b>Balance as at 31.03.2007</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance as at 31.03.2008</b>
Securities Premium Account	757,880,730	-	-	757,880,730
General Reserve	72,810,498	-	-	72,810,498
Foreign Currency Transilation Reserve ( Arising on Consolidation)	(754,051)	(2,787,671)	-	(3,541,722)
Surplus: Balance in Profit and Loss Account	307,745,839	400,705,850	307,745,839	400,705,850
<b>TOTAL</b>	<b>1,137,683,016</b>	<b>397,918,179</b>	<b>307,745,839</b>	<b>1,227,855,356</b>
<b>03 . SECURED LOAN</b>				
From State Bank of India on Hypothication of Vehicles			2,701,378	4,376,710
<b>TOTAL</b>			<b>2,701,378</b>	<b>4,376,710</b>
<b>06 . INVESTMENTS</b>				
(At cost, Non-trade, Long -term, unquoted)				
<b>Government Securities</b>				
National Saving certificates			6,000	6,000
<b>Investments</b>			12,581,756	13,319,142
<b>TOTAL</b>			<b>12,587,756</b>	<b>13,325,142</b>



## 04. FIXED ASSETS

NAME OF THE ASSETS	GROSS BLOCK AS AT 31.03.2008 (in Rupees)	ACCUMULATED DEPRECIATION (in Rupees)	NET BLOCK AS AT 31.03.2008 (in Rupees)
<b>Tangible fixed assets</b>			
Land	19,458,449	-	19,458,449
Building	202,188,500	17,370,389	184,818,111
Computers	8,143,040	5,349,973	2,793,067
Computers - Imported	21,187,984	14,531,868	6,656,116
Air Condition System	33,271,234	6,747,227	26,524,007
Generator	11,062,734	2,322,422	8,740,312
Lift	5,872,985	1,281,719	4,591,266
UPS	3,789,053	1,079,475	2,709,578
Furniture & Fixtures	35,142,165	12,677,237	22,464,928
Electrical Installation	31,084,479	8,811,015	22,273,464
Office Equipment	9,792,625	1,893,040	7,899,585
Office Equipment - Imp	463,645	273,432	190,213
Net working equipment	3,359,733	364,936	2,994,797
Fire Fighting Equipment	811,094	66,143	744,951
Canteen Equipment	91,746	74,174	17,572
Motor & Borewell	99,794	76,694	23,100
Vehicles	7,352,834	2,950,983	4,401,851
Xerox Machine - Imp	195,685	138,388	57,297
Library	18,592	14,050	4,542
Subsidiary's assets	12,775,691	9,793,569	2,982,122
<b>Intangible fixed assets</b>			
Good Will	900,963,413	-	900,963,413
Software	1,128,581	493,132	635,449
<b>TOTAL</b>	<b>1,308,254,057</b>	<b>86,309,865</b>	<b>1,221,944,192</b>

Particulars	As at 31.03.2008 ( in Rupees )	As at 31.03.2007 ( in Rupees )
<b>05. UNALLOCATED CAPITAL EXPENDITURE</b>		
Store and Spares	3,510	-
Accounting Charges	11,236	-
Bank Charges	7,223	-
Car Hire Charges	154,810	-
Legal & Professional Charges	625,453	-
Printing & Stationary	292	-
Rent	94,300	-
<b>TOTAL</b>	<u>896,824</u>	<u>-</u>
<b>07. SUNDRY DEBTORS</b> ( Unsecured, Considered Good )		
Debts due over six months		
Other debts	139,065,847	169,884,033
Less: Allowance for doubtful debts	-	2,007,930
<b>TOTAL</b>	<u>139,065,847</u>	<u>167,876,103</u>
<b>08. CASH AND BANK BALANCES</b>		
Cash in hand	12,436,285	50,689,121
Blance with scheduled banks:		
Current Accounts	24,461,183	13,228,494
Unpaid Dividend Accounts	1,422,632	1,423,932
Fixed Deposits	3,604,420	12,875,387
<b>TOTAL</b>	<u>41,924,520</u>	<u>78,216,934</u>
<b>09. OTHER CURRENT ASSETS</b>		
Prepaid Expenditure	2,686,536	986,881
Advance Income Tax & TDS (Net off provisions)	15,222,482	13,220,732
Interest Accured	748,121	511,326
Differed tax asset	2,255,667	1,604,330
<b>TOTAL</b>	<u>20,912,806</u>	<u>16,323,269</u>
<b>10. LOANS AND ADVANCES</b> (Unsecured ,cosidered good ,recoverable in cash or in kind or for value to be received)		
Inter Corporate Deposits	1,889,518	1,171,800
Advances for Capital Works	8,052,260	6,411,471
Advances for Expenses	3,280,337	7,912,146
Deposits recoverable	1,819,742	1,395,700
Minimum Alternative Tax( Credit)	8,050,000	-
Staff advances	20,000	152,500
<b>TOTAL</b>	<u>23,111,857</u>	<u>17,589,617</u>

Particulars	As at 31.03.2008 ( in Rupees )	As at 31.03.2007 ( in Rupees )
<b>11. CURRENT LIABILITIES AND PROVISIONS</b>		
<b>Liabilities</b>		
Creditors for : Capital Goods	10,385,008	38,831,096
: Trade Payables	42,291,529	1,512,309
: Expenses	15,531,063	89,545,564
: Other Finance	1,450,296	1,861,019
Deposits Refundable	45,559,034	-
Unclaimed Dividend (Not due for remittance to investor Education and protection fund)	1,422,632	1,423,932
	<b>116,639,562</b>	<b>133,173,920</b>
<b>Provisions For :</b>		
Leave Encashment	267,005	-
Gratuity	2,377,476	306,000
	<b>2,644,481</b>	<b>306,000</b>
<b>TOTAL</b>	<b>119,284,043</b>	<b>133,479,920</b>
	<b>Current Year</b> (in Rupees)	<b>Previous Year</b> (in Rupees)
<b>12. OTHER INCOME</b>		
Interest earned ( Others, gross)	400,974	3,836,991
T D S : Current year Rs. 33,403/-		
T D S : previous year Rs. 6,29,495/-		
Rents Received	44,840,042	4,747,035
Dividends from mutual funds	2,300,417	2,794,034
Excess provisions Written Back	289,093	-
Profit on redemption of mutual fund investments	-	148,493
Miscellaneous receipts	364,341	2,734,783
	<b>48,194,867</b>	<b>14,261,336</b>
<b>13. PERSONNEL COST</b>		
Salaries, Wages and Bonus	453,139,183	336,548,445
Contribution to provident and other funds	3,580,845	1,484,450
Staff welfare Expenses	8,705,734	1,927,384
Gratuity	2,271,566	99,002
	<b>467,697,328</b>	<b>340,059,281</b>
<b>TOTAL</b>	<b>467,697,328</b>	<b>340,059,281</b>
<b>15. FINANCE CHARGES</b>		
Interest on fixed loans	2,032,634	1,760,726.00
	<b>2,032,634</b>	<b>1,760,726</b>
<b>TOTAL</b>	<b>2,032,634</b>	<b>1,760,726</b>

	Current Year (in Rupees)	Previous Year (in Rupees)
<b>14. OPERATION AND OTHER EXPENSES</b>		
Rent, Rates and Taxes	9,889,870	10,324,765
Insurance	2,129,170	5,464,011
Repairs and Maintenance to :		
Equipment	1,357,062	2,706,344
Buildings	1,039,560	324,851
Others	2,307,104	1,265,277
Onsite Expenses	7,841,068	-
Advertisement	5,000	124,164
Commission	864,828	-
Communication Costs	4,441,000	3,399,498
Soft Link Charges	2,110,659	1,433,706
Printing and Stationery	328,247	299,570
S T P I - Service Charges	277,500	122,500
Director's sitting fees	50,000	53,000
Auditor's Remuneration :		
Statutory Audit	67,416	44,944
Tax Matters	55,000	-
Certification	22,466	-
Legal and Professional Charges	7,468,251	8,939,796
Travelling and Conveyance	13,013,997	6,522,288
Consulting outsourced	136,893,857	261,211,772
General Expenses	5,661,374	6,285,475
Bank Charges	1,441,179	2,152,097
Electricity Charges	3,707,049	2,363,418
ISO Expense	28,160	-
Security Service Charges	1,889,393	328,926
Loss on Foreign Exchange Fluctuations	4,046,764	1,255,377
Donations	415,500	9,054
Shortterm capital loss	3,388	-
Sundry Debit Balance Written off	268	-
Baddebts	3,574,006	313,286
Loss on sale of assets	-	32,546
<b>TOTAL</b>	<b>210,929,136</b>	<b>314,976,665</b>

**SCHEDULE – 16 : Notes to accounts**

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 31<sup>st</sup> December 2007 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.

- 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 cost, conventional and in accordance with generally accepted accounting practices.
  - 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 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 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 and leave encashment are provided on the basis of actuarial valuation.
- h) Borrowing costs that are directly attributable to the acquisition, construction of fixed assets are capitalized as part of the cost of such assets.
- i) Sales includes revenue recognized by the company under proportionate completion method as per the Accounting Standard – 9 issued by Institute of Chartered Accountants of India for the services rendered and delivered as per the contracts entered.
- j) 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.
- k) Impairment of Assets: The Company assesses at each Balance sheet date, whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset, if such recoverable amount of the asset or the recoverable amount of the cash generation unit to which the asset belongs is less than it's carrying amount, the carrying amount is reduced to it's recoverable amount. The reduction is treated as an impairment loss and is recognised in the Profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the asset is reflected at the recoverable amount subject to a maximum at depreciated historical cost.
- l) 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.
- m) Prior year adjustments, extraordinary items and changes in accounting policies having material impact on the financial affairs of the company are disclosed.
- n) 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.
- o) 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 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. Details of purchase and sale of Mutual Funds:

S.NO.	Particulars	Purchase		Sale	
		No. Units	Amount Rs.	No. Units	Amount Rs.
1	ICICI MUTUAL FUND	11572608	116532169	11572608	116528781

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 31<sup>st</sup> March, 2008 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 depreciation difference is the major component of deferred tax (asset)/Liability as on 31.03.2008.

Particulars	Amount in Rs.
Difference between book and Tax depreciation	1,64,09,160

5. Fixed Deposit for Rs.32,43,411/- (Previous year Rs.28,28,128/) are in lien with Bankers towards margin against 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 assessment 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.
- b) Sundry Debtors includes an amount of Rs.59,95,749/- (Previous year Rs.1,52,56,500/-) 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 Year Rs.
Remuneration	10,85,000	8,40,000
Provident Fund Contribution	78,480	54,720
Total	<u>11,63,480</u>	<u>8,94,720</u>

As at	As at
31.03.2008	31.03.2007

10. Contingent liabilities not provided for on account of:

a) Guarantees given by the bankers	32,43,411	8,28,128
b) Claims against the company not acknowledged As debts	9,95,521	5,64,187
c) Demands from Income Tax Department Disputed and pending in appeals	1,82,38,564	3,71,53,460

	Current Year Rs.	Previous Year Rs.
11. Value of imports calculated on C.I.F basis by the Company during the financial year in Respect of Capital goods	32,70,785	2,53,06,675
12. a) Expenditure in foreign currency during the Year on account of traveling excluding the tickets purchased in India	16,92,386	9,65,233
b) Onsite Expenses paid	78,41,068	--
13. Contracts to be executed on account of Capital contracts	17,60,791	--
14. Earnings in foreign currency on export of Software	18,99,40,746	12,83,07,416
15. There are no separate reportable segments as per the accounting Standard -17 “ Segmental Reporting “ issued by the Institute of Chartered Accountants of India.		
16. The details of related party transactions in terms of Accounting Standard (AS) 18 are as follows:		
a) Names of related parties and description of relationship:		
i) Key Management Personnel Bhaskar Rao Madala, Whole time Director		
ii) a) Subsidiary : M/s SoftSol Resources Inc USA (SRI)		
b) Associate : M/s SoftSol Technologies Inc, USA (STI)		
b) Transactions :		

Nature of relation	Remuneration		Sales		Onsite expenses	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Key Management Personnel	11,63,480	8,94,720	--	--	--	--
Subsidiary	--	--	80,77,500	4,55,16,000	--	--
Associate	--	--	1,89,92,890	4,48,91,797	78,41,068	--

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)	1,86,65,990	2,66,50,142
M/s SoftSol Resources Inc USA (SRI)	59,95,749	1,52,56,500



**17. Employee Benefits:**

Effective from April 1, 2007 the Company has adopted the revised Accounting Standard (AS-15)(revised 2005), "Employee Benefits" in respect of Gratuity and Leave Encashment. The Company has provided for Gratuity and Leave encashment based on actuarial valuation on the basis of projected unit credit method.

The following table summarise the components of the net benefit recognized in the profit and loss account and amounts recognized in the balance sheet for the respective plans.

**i) Profit and Loss account:**

	Leave encashment	Gratuity
Current service cost	2,67,005	22,71,566
Interest cost	-	-
Actuarial Gain / loss	-	-
Net benefit expense	2,67,005	22,71,566

**ii) Balance Sheet:**

	Leave encashment	Gratuity
Opening balance of benefit obligations	2,67,005	1,05,910
Current service cost	-	-
Interest cost	-	-
Actuarial Gain / loss	-	-
Benefits paid	-	-
Closing balance of benefit obligations	2,67,005	23,77,476

The principal assumptions used in determining the Leave encashment and Gratuity benefits obligation for the Company's plans are as under:

<b>Leave encashment:</b>	
Discount rate	8%
Further salaries raise	4%
Attrition Rate	1%
Mortality	LIC 94-96
Withdrawal	Ignored
<b>Gratuity:</b>	
Discount rate	8%
Mortality	LIC 94-96
Further salaries raise	4%
Attrition Rate	1%

The estimates of future salary increase; considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

18.

Earnings per share (E.P.S.)	Current Year	Previous Year
i) Net Profit as per Profit and Loss Account Available for Equity Shareholders (Rs.)	9,15,00,526	4,79,45,494
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)	4.91	2.57

19. Previous year figures have been regrouped wherever necessary.

per our report of even date  
For M/s. Brahmaya & Co.  
Chartered Accountants

For and on behalf of the Board

D. Seetaramaiah  
Partner

Bhaskar Rao Madala  
Whole time Director

Dr. T. Hanuman Chowdary  
Director

Place: Hyderabad  
Date: 30-06-2008

B.S. Srinivasan  
Director

C. Lalitha  
Company Secretary

SOFTSOL INDIA LIMITED

Regd. Off.: Plot No. 4, Software Units Layout, Madhapur, Hyderabad – 500 081.
Telephone: +91 (40) 30719500, Facsimile: + 91 (40) 30784306
E-mail: softsol@softsolindia.com, Website: www.softsolindia.com

ATTENDANCE SLIP

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

DP ID: ..... Regd. Folio No. ....

Client ID .....

Name and address of the Shareholder / Proxy: .....

Number of Shares held .....

I hereby record my presence at the the 18th Annual General Meeting of the company held on Tuesday the 30th Day of September 2008 at the registered office of the company situated at Plot No. 4, Software Units Layout, Madhapur, Hyderabad - 500 081 at 10.30 a.m

(Signature of Shareholder / proxy)

SOFTSOL INDIA LIMITED

Regd. Off.: Plot No. 4, Software Units Layout, Madhapur, Hyderabad – 500 081.
Telephone: +91 (40) 30719500, Facsimile: + 91 (40) 30784306
E-mail: softsol@softsolindia.com, Website: www.softsolindia.com

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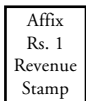
DP ID: ..... Regd. Folio No. ....

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 18th Annual General Meeting of the company held on Tuesday the 30th Day of September 2008 at the registered office of the company situated at Plot No. 4, Software Units Layout, Madhapur, Hyderabad - 500 081 at 10.30 a.m or any adjournment thereof.

Signed this ..... Day ..... 2008.



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

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