

REPORT ON THE CORPORATE GOVERNANCE

1. Company's philosophy on Code of Governance:

The philosophy of the Company on Code of Governance envisages the attainment of highest levels of transparency, accountability, professionalism, risk management and equity in all facets of its operations in serving its stakeholders.

2. Board of Directors:

In furtherance of its corporate governance policy the Company ensures that all statutory, significant material information are placed before the Board/ Committee of directors for their approval to enable them to discharge their responsibilities as trustees.

Composition and category of Directors is as follows:

There are nine directors on the Board comprising an independent non-executive chairman, two promoter whole time directors, two promoter non-executive directors, and four independent non-executive directors.

Attendance of each Director at the Meetings of the Board of Directors and the last Annual General Meeting:

During the year the Board met six times on 30.04.2008, 29.07.2008, 27.08.2008, 29.09.2008, 30.10.2008 and 24.01.2009.

Name of the Director	Attendance Particulars			Committee memberships/ Chairmanships in our Company		Number of other Directorships & Committee memberships	
	Board Meetings		Last AGM	Memberships	Chairmanships	Directorships	Memberships
	Held	Present					
Sri T. Gopichand	6	6	Yes	Nil	Nil	1	Nil
Sri N.V.V. Prasad	6	6	Yes	Nil	Nil	1	Nil
Smt. T.Pavana Devi	6	6	Yes	Nil	Nil	1	Nil
Sri T.Bapaiah Choudary	6	6	Yes	1	1	Nil	Nil
Sri K. Rama Rao	6	6	Yes	3	Nil	1	Nil
Sri D.Seetharamaiah	6	6	Yes	1	1	6	5
Sri R.S.Bakkannavar	6	6	Yes	Nil	1	1	Nil
Dr.T.Hanuman Chowdary	6	6	Yes	Nil	Nil	3	1
Dr. T.V. Lakshmi	6	6	Yes	2	Nil	1	Nil

None of the Director is a member in more than 10 Committees and acts as a Chairman in more than 5 Committees across all companies in which he is a Director.

The Board of Directors of the Company functioned through the following committees:

1. Audit Committee.
2. Shareholders' Grievance Committee.
3. Remuneration Committee.
4. Investment Committee.
5. Share Transfer Committee.
6. Management Committee.

3. Audit Committee:

- a. There was no change in the constitution of the Audit Committee. The members of the Committee are:

Sri R.S.Bakkannavar	Chairman
Sri D. Seetharamaiah	Member
Sri K. Rama Rao	Member

- b. Brief description of the terms of reference to the Audit Committee:

1. Overseeing the Company's financial reporting process and the disclosure of its financial information.
2. Recommending the appointment and removal of statutory auditors, their audit fee and also for any other services and the appointment of internal auditors and their remuneration.
3. Reviewing and recommending the appointment and removal of managerial personnel, fixation of remuneration and also approval for payment for any other services as recommended by the Remuneration Committee.
4. Reviewing with management of the annual financial statements before submission to the board, focusing primarily on,
 - any changes in accounting policies and practices,
 - major accounting entries based on exercise of judgment by management,
 - qualifications in draft audit report,
 - significant findings arising out of audit, discussion with internal and statutory auditors,
 - the going concern assumption,
 - compliance with accounting standards,
 - any related party transactions i.e transactions of the Company, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of Company at large,
 - Mandatory review of Management discussion and analysis of financial condition, results of operation, internal control etc.
5. Reviewing with the management, external and internal auditors, and the adequacy of internal control systems.
6. Reviewing the adequacy of internal audit functions.
7. Discussion with internal auditors on any significant findings and follow up thereon.
8. Reviewing the findings of any internal investigations by the internal auditors into the matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
9. Discussion with external auditors before the audit commences of nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
10. Reviewing the Company's financial and risk management policies.
11. To look into the reasons for substantial defaults in the payment to the creditors.
12. To consider and review any other matter as may be directed by the Board.

During the year, the Committee met 5 times on 30.04.2008, 29.07.2008, 26.08.2008, 30.10.2008 and 24.01.2009 respectively and all the members were present at all the meetings.

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4. Shareholders' Grievance Committee:

The Board constituted the shareholders' grievance committee comprising the following Directors

Sri T. Bapaiah Choudary	Chairman
Dr. T.V. Lakshmi	Member
Sri K. Rama Rao	Member

The Committee oversees the performance of the Registrar and Transfer Agents, and recommends measures for overall improvement in the quality of investor services. The Committee, inter alia, recommends issue of duplicate certificates and reviews all matters connected with the securities transfers, redressing of shareholders' complaints.

During the year, the Committee met 4 times on 30.6.2008, 30.9.2008, 31.12.2008 and 31.3.2009 respectively and all the members were present at all the meetings.

The total number of complaints/requests received and replied to the satisfaction of shareholders during the year under review was 65. Outstanding complaints/requests as on 31st March 2009 were nil.

5. Remuneration Committee:

The Board constituted the Remuneration Committee comprising of the following Non-Executive and Independent Directors of the Board:

Sri D.Seetharamaiah	Chairman
Sri K. Rama Rao	Member
Sri T.Bapaiah Choudary	Member
Dr. T.V.Lakshmi	Member

The Remuneration Committee has been constituted to recommend/ review the remuneration package of the Vice Chairman and Managing Director/Whole Time Director/Executive Director, and senior personnel based on performance and defined criteria.

The remuneration policy is directed towards rewarding performance, based on review of achievements on a periodical basis. The remuneration policy is in consonance with the existing Industry Practice.

During the year, the Committee met three times on 30.04.2008, 29.07.2008 and 14.03.2009 respectively and all the members were present at all the meetings.

Details of remuneration paid to all the Directors for the year:

The aggregate value of Salary, Perquisites and Other Allowances paid to Vice Chairman & Managing Director, Executive Director and Whole time Directors is as detailed below:

Particulars	Current Year (Rs.)	Previous Year (Rs.)
Vice Chairman & Managing Director (Sri T. Gopichand)	4,009,831	3,361,424
Executive Director (Sri N.V.V.Prasad)	2,941,504	2,629,854
Whole Time Director (Smt. T. Pavana Devi)	1,192,806	1,352,499
Total	8,144,141	7,343,777

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Remuneration & Commission given above includes increased Salary & Commission payable to Vice Chairman and Managing Director and Executive Director Rs.75,000/- (Salary) and Rs.432,426/- (Commission) approved by the Remuneration Committee at their meeting on 14.03.2009 and by the Board of Directors at their meeting on 27.04.2009, which are subject to approval of members of the Company.

The Company has paid the following sitting fee to the Directors of the Company during the year ended on 31st March 2009 vis a vis the previous financial year ended on 31st March 2008.

Particulars	Current Year (Rs.)	Previous Year (Rs.)
Sri D. Seetharamaiah	89,000	61,000
Sri R.S.Bakkannavar	78,000	53,000
Sri T. Bapaiah Choudary	68,000	45,000
Dr. T. Hanuman Chowdary	39,000	30,000
Dr. T.V. Lakshmi	68,000	45,000
Sri K. Rama Rao	99,000	70,000
Total	441,000	304,000

6. Investment Committee:

The Investment Committee was constituted with 3 directors of the Company as stated below:

Sri T.Gopi Chand	Member
Sri N.V.V.Prasad	Member
Sri D.Seetharamaiah	Member

During the year, the Committee had not met, as there were no investment proposals.

7. Share Transfer Committee:

The Share Transfer Committee was constituted comprising of 2 directors and the Compliance Officer of the Company as indicated below:

Sri T.Gopichand	Member
Sri N.V.V.Prasad	Member
Mr. O.Babu Reddy	Member

During the year 14 meetings were held and all the members were present at all the meetings.

Compliance Officer Name and Address:

O.Babu Reddy, 8-3-1113/2B, Kesava Nagar, Srinagar Colony, Hyderabad - 500 073.

8. Management Committee:

The Management Committee was constituted with 4 directors of the Company as stated below:

Sri D.Seetharamaiah	Chairman
Sri R.S.Bakkannavar	Member
Sri T.Gopichand	Member
Sri N.V.V.Prasad	Member

During the year, the Committee met two times on 09.05.2008 and 14.03.2009 respectively and all the members were present at all the meetings.

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9. General Body Meetings:

Location and time for last 3 Annual General Meetings were:

YEAR	AGM	LOCATION	DATE	TIME
2005-2006	AGM	Jubilee Hills International Center, Road No.14, Jubilee Hills, Hyderabad	29th September 2006	10.00 A.M
2006-2007	AGM	Jubilee Hills International Center, Road No.14, Jubilee Hills, Hyderabad	28th September 2007	10.00 A.M
2007-2008	AGM	Jubilee Hills International Center, Road No.14, Jubilee Hills, Hyderabad	29th September 2008	10.00 A.M

The following special resolutions were passed during the year by the members

Date	Type of Meeting	Section	Brief particulars
NIL	NIL	NIL	NIL

10. Disclosures:

a. Significant related party transactions:

The related party transactions are reported in the notes to the accounts as per the requirements of the concerned Accounting Standards.

b. There are no non-compliances, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to capital markets, during the year.

11. Means of Communication:

The quarterly financial results were published in two widely circulated newspapers {Business Standard/Financial Express (All India) and Andhra Bhoomi/Andhra Prabha (Hyderabad)} in English and vernacular newspapers. The financial results are intimated to the Stock Exchanges on which the Company's shares are listed as per the requirements of the listing agreement and also to the Bombay Stock Exchange Limited where the equity shares of the Company are permitted to be traded.

12. Management Discussions and Analysis:

Cautionary Statement:

Statements in the Management Discussion and Analysis Report describing our Company's objectives, expectations or predictions may be forward looking within the meaning of applicable regulations and other legislations. Actual results may differ materially from those expressed in the statement. Important factors that could influence Company's operations include global and domestic financial market conditions affecting the interest rates, availability of resources for the financial sector, market for lending, changes in regulatory directions issued by the Government, tax laws, economic situation and other relevant factors.

Opportunities and Threats:

With the introduction of the concept of e-governance, both the Central and State Governments are keen on implementing different projects to keep the activities of the Governments transparent, timely and cost effective. There is an absolute increase in the fund allotment by the Governments for implementing the projects. This creates an opportunity for the experienced and expert organizations to broaden their horizon and support the Government in faster implementation of the projects.

The increased volume of business attracts more number of players in the field and the competition becomes severe. Effect of global recession on Indian economy could be an indicating factor. Only the effective and efficient organizations could stand such a situation. The management is confident that with its exposure and experience in this field of e-governance, it stands a better chance than others.

Internal control systems and their adequacy:

The Company through its extensive experience has a system that ensures control over various functions in its business. On the financial side, periodic audits by internal auditors and statutory auditors provide a means whereby any weakness is exposed and rectified.

Financial Performance with respect to Operational Performance:

The management has established a tight and prudent financial control system in the Company. The financial highlights are shown in the Directors report and the audited balance sheet, profit and loss account.

13. General Information for Shareholders:

- a. As indicated in the Notice to our shareholders, the Annual General Meeting of the Company will be held on 19th September, 2009 at 10.00 A.M. at Jubilee Hills International Center, Road No.14, Jubilee Hills, Hyderabad - 500 013.
- b. The Financial Year of the Company is April 1 to March 31.
- c. Date of Book Closure:
From 12th September 2009 to 19th September 2009 (both days inclusive) for the purpose of the Annual General Meeting.
- d. The shares of the Company are listed/traded on
 - i. Bangalore Stock Exchange Limited.
 - ii. Bombay Stock Exchange Limited (Trading permission with effect from 19.4.2004).

The listing fee for the year 2009-2010 has been paid to Bangalore Stock Exchange Limited.

The Shares were permitted to trade on the Bombay Stock Exchange Limited with effect from 19.4.2004.

e. Stock Code:

Bangalore Stock Exchange Limited: TASL

Bombay Stock Exchange Limited: 590020

f. Stock Market Data:

Month	Bombay Stock Exchange Limited	
	Month's High Price	Month's Low Price
April 2008	61.80	46.80
May 2008	58.95	48.10
June 2008	57.50	40.00
July 2008	48.35	35.00
August 2008	43.50	35.20
September 2008	43.90	26.30
October 2008	31.80	18.10
November 2008	26.30	20.00
December 2008	24.40	21.00
January 2009	25.85	20.00
February 2009	22.65	18.35
March 2009	23.00	18.10

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The equity shares of the Company were not traded on the Bangalore Stock Exchange Limited as reported by the Stock Exchange.

- g. Shares received for physical transfer are generally registered within a period of 15 days from the date of receipt, if the documents are clear in all respects.

h. Dematerialization of Shares:

The Company has entered into agreements with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) to enable shareholders to hold the shares in the electronic form.

During the year many of the shareholders converted their holding to electronic form from physical form. As such 12,329,172 shares of the Company are in electronic form as on 31.03.2009.

i. As of March 31, 2009 the distribution of our shareholding was as follows:

Sl. No.	Category	No. of Shareholders	Total Shares	% to Total
A.	Shareholding of Promoter & Promoter Group:			
1	Indian			
A.	Individuals/HUF	14	4,745,585	37.93
2	Foreign	Nil	Nil	Nil
B.	Public Shareholding:			
1	Institutions			
A.	Foreign Institutional Investors	3	369,655	2.95
2	Non-Institutions:			
A.	Bodies Corporate	225	1,071,877	8.57
B.	Individuals			
1	Individual Shareholders holding nominal share capital up to Rs.1 Lakh.	6,600	3,159,326	25.25
2	Individual Shareholders holding nominal share capital in excess of Rs.1 Lakh.	92	2,893,817	23.13
C.	Any Other (Specify) NRI/OCB	94	271,615	2.17
C.	Shares held by Custodians etc.	Nil	Nil	Nil
	Total	7,028	12,511,875	100

j. Outstanding of unclaimed dividend amounts:

The Company has been paying dividend regularly from the financial year 2002-2003. The outstanding amount of unclaimed dividend lying in Unpaid Dividend account year wise as on 31.03.2009 are as follows:

Financial Year	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Unclaimed Dividend Amount in Rs.	79,806	159,239	226,247	402,922	562,308	289,420

k. Locations of our software development center:

Ist Floor, 8-3-1113/2B, Kesava Nagar,
Srinagar Colony, Hyderabad - 500 073

l. Address for Correspondence:

Registered Office:
8-3-1113/2B, Kesava Nagar,
Srinagar Colony, Hyderabad - 500 073
Phone : +91-040-23730553.

For and on behalf of the Board of Directors

Place: Hyderabad
Date: 17.08.2009

Sd/-
(T. Gopichand)
Vice Chairman and Managing Director

Sd/-
(N. V.V.Prasad)
Executive Director

DECLARATION BY CHIEF EXECUTIVE OFFICER (CEO)

I, T.Gopichand, Vice Chairman and Managing Director of Tera Software Limited hereby declare that all the board members and senior managerial personnel have affirmed for the year ended 31 March 2009 compliance with the code of conduct of the Company laid down for them.

Place:Hyderabad
Date:17.08.2009

Sd/-
(T.Gopichand)
Vice Chairman and Managing Director

Tera Software Limited

CERTIFICATE BY CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO)

We, T.Gopichand, Vice Chairman and Managing Director and B.Dattathreyulu Naidu, General Manager (Finance) of Tera Software Limited, certify:

1. That we have reviewed the financial statements and the cash flow statement for the year ended 31 March 2009 and that to the best of our knowledge and belief:
 - i. these statements do not contain any materially untrue statement nor omit any material fact not contain statements that might be misleading, and
 - ii. these statements present a true view of the Company's affair and are in compliance with the existing accounting standards, applicable laws and regulations.
2. That there are, to the best of our knowledge and belief, no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's code of conduct;
3. That we accept responsibility for establishing and maintaining internal controls, we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps that we have taken or propose to take to rectify the identified deficiencies and
4. That we have informed the auditors and the audit committee of:
 - i. Significant changes in internal controls during the year;
 - ii. Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii. Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system.

Place: Hyderabad
Date: 17.08.2009

Sd/-
(T.Gopichand)
Vice Chairman and Managing Director

Sd/-
(B.Dattathreyulu Naidu)
General Manager (Finance)

Tera Software Limited

NARVEN ASSOCIATES
Chartered Accountants
302 & 303, Lingapur House,
Himayat Nagar,
Hyderabad

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To
The Members of
Tera Software Limited,

We have examined the compliance of conditions of Corporate Governance by Tera Software Limited (the Company), for the year ended on 31st March 2009, as stipulated in Clause 49 of the Listing Agreements of the Company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to a review procedures and implementations thereof adopted by the Company for ensuring the compliance with the conditions of the Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, and based on the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above-mentioned Listing Agreements.

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

For **NARVEN ASSOCIATES**
Chartered Accountants

Place: Hyderabad
Date: 17.08.2009

Sd/-
(CA D.C.Naidu)
Partner
Membership No:24643