

**BOARD OF DIRECTORS:**

- |                             |                                     |
|-----------------------------|-------------------------------------|
| 1. Sri D. SEETHARAMAIAH     | CHAIRMAN                            |
| 2. Sri K. RAMA RAO          | DIRECTOR                            |
| 3. Sri T. BAPAAIAH CHOUDARY | DIRECTOR                            |
| 4. Sri R. S. BAKKANAVAR     | DIRECTOR                            |
| 5. Dr. T. HANUMAN CHOWDARY  | DIRECTOR                            |
| 6. Dr. T. V. LAKSHMI        | DIRECTOR                            |
| 7. Smt. T. PAVANA DEVI      | WHOLE TIME DIRECTOR                 |
| 8. Sri N.V. V. PRASAD       | EXECUTIVE DIRECTOR                  |
| 9. Sri T. GOPI CHAND        | VICE CHAIRMAN and MANAGING DIRECTOR |

**REGISTERED OFFICE:**

8-3-1113/2B, Kesava Nagar,  
Srinagar Colony,  
Hyderabad - 500 073.  
Tel.Nos.91-40-23736833/23730553.  
Fax:91-40-23743526.  
E-Mail : hyd1\_tspl@sancharnet.in  
Url: www.terasoftware.com

**AUDITORS:**

M/s. NARVEN ASSOCIATES  
Chartered Accountants  
313, Lingapur House,  
Himayat Nagar,  
Hyderabad - 500 029.

**BANKERS:**

BANK OF MAHARASHTRA,  
Basheer Bagh,  
Hyderabad - 500 029.

**REGISTRAR AND SHARE TRANSFER AGENTS:**

M/s Sathguru Management Consultants Private Limited  
Plot No.15, Hindi Nagar,  
Panjagutta, Hyderabad - 500 034  
Ph. No: 040 - 23356507 & 23350586 Fax: 23354042.

**NOTICE**

Notice is hereby given that the Thirteenth Annual General Meeting of the members of the company will be held at the Jubilee Hills International Center, Road No.14, Jubilee Hills, Hyderabad - 500 033, on Friday, the 28th day of September, 2007 at 10.00 A.M. to transact the following business:

**AS ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2007, Profit & Loss Account for the year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To declare dividend on Equity shares.
3. To appoint a Director in place of Dr. T. Hanuman Chowdary, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Dr. T.V.Lakshmi, who retires by rotation and being eligible offers herself for re-appointment.
5. To appoint a Director in place of Sri T. Bapaiah Chowdary, who retires by rotation and being eligible offers himself for re-appointment.
6. To appoint M/s. NARVEN ASSOCIATES, Chartered Accountants, the retiring auditors as Statutory Auditors of the Company, who shall hold office from the conclusion of this Annual General Meeting up to the conclusion of the next Annual General Meeting and to fix their remuneration.

**By Order of the Board of Directors**

Date : 31.08.2007  
Place : Hyderabad.

Sd/-  
**(T. Gopi Chand)**  
Vice Chairman and Managing Director

**Notes:**

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to vote at the meeting on his behalf and such proxy need not be a member of the company.
2. The instrument appointing proxy to be valid should be lodged at the Registered Office of the Company not less than forty-eight hours before the commencement of the meeting.
3. Members/Proxies should fill the attendance slip for attending the meeting.
4. Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
5. The Company has already notified closure of Register of Members and the Share Transfer Books from Saturday, 22nd September 2007 to Friday, 28th September 2007 (both days inclusive).
6. Shareholders are requested to bring their copy of Annual Report to the meeting.

**Particulars of Directors eligible for re-election, pursuant to Clause 49 of the Listing Agreement:**

<b>Serial Number</b>	<b>1</b>	<b>2</b>	<b>3</b>
Name	Dr. T. H. Chowdary	Dr. T.V.Lakshmi	Sri T. Bapaiah Chowdary
Designation	Director	Director	Director
Age	75 Years (18.10.1931)	48 Years (1.1.1959)	51 Years (4.8.1956)
Qualification	B. Tech.	Phd.	Post Graduate
Date of Appointment	27.09.2003	27.09.2003	27.9.2004
Nature of expertise in specific functional areas	Founder Chairman of VSNL, former IT advisor to Govt. of AP and renowned name in the IT field.	Experienced Scientist with strong R&D background specially in GIS/GPS and quality.	Noted Business Man in Agri Industry
Remuneration	Rs.27,000/-p.a. (Sitting Fees)	Rs.42,000/- p.a. (Sitting Fees)	Rs.42,000/- p.a. (Sitting Fees)
No. of outside Directorships held	2	1	NIL
Chairman of the Committee of Board of Directors of the Company	Nil	Nil	(1) Shareholders' Grievance Committee
Member of the Committee of Board of Directors of the Company	NIL	(1) Remuneration Committee (2) Shareholders' Grievance Committee	(1) Remuneration Committee
Chairman/member of the Committees of other Companies	2	Nil	NIL

**By Order of the Board of Directors**

Sd/-

**(T. Gopi Chand)**

Vice Chairman and Managing Director

Date: 31.08.2007  
Place: Hyderabad.

**DIRECTORS' REPORT**

Dear Shareholders,

Your Directors have pleasure in presenting the Thirteenth Annual Report and the audited accounts of the company for the year ended 31st March 2007 together with Auditors' report thereon.

**a) Operational Results:**

(Rs. In Lakhs)

PARTICULARS	Year Ended 31.03.2007		Year Ended 31.03.2006	
Gross Income		5833.57		3529.69
Expenditure		3557.03		2155.77
Profit before interest, depreciation & tax		2276.54		1373.92
Less: Interest (Financial Cost)		169.91		83.50
Profit before depreciation & tax		2106.63		1290.42
Less: Depreciation		450.09		368.20
Profit before tax		1656.54		922.22
Less : Provision for tax				
Current year	576.89		281.17	
Deferred tax	5.59		24.96	
Fringe Benefit tax	4.00	586.48	4.60	310.73
Profit after tax		1070.06		611.48
Add: Balance brought forward from Previous Year	248.78		345.98	
Add/(Less): Excess provision of Taxation for Earlier years	-		1.39	
Add/(Less): Taxation for earlier years	(1.38)	247.41	-	347.37
Profit available for distribution		1317.47		958.85
Less:				
Transferred to General Reserve	500.00		500.00	
Proposed Dividend @ 20% (Previous Year 20%)	250.24		184.19	
Tax on distributable profits	42.53		25.83	
Tax on dividend for earlier Years	-		0.01	
Residual dividend earlier years	-	792.77	0.04	710.07
<b>Balance Carried to Balance Sheet</b>		<b>524.70</b>		<b>248.78</b>

**b) Financial Performance:**

The Company with its focused attention on e-Governance Projects could increase its turnover by 65% to 5833.57 lakhs and the profit before tax improved by 75% to 1656.54 lakhs compared to the previous year. The Company rewarded its members by issuing fully paid bonus shares in the ratio of 4 : 1 by capitalising the reserves as approved by the members. To strengthen the capital structure, the Company during the year, further issued 8,00,000 lakhs convertible warrants at a price of Rs. 77/- each on preferential basis in consonance with the members resolution dated 05.06.2006.

**c) Dividend:**

Your Directors are pleased to recommend a dividend of 20% absorbing a sum of Rs.292.77 Lakhs including the tax on distributable profits.

**d) Listing of Shares in Stock Exchanges:**

At present the Equity Shares of your company are traded under permitted Securities on the Bombay Stock Exchange Limited and listed on The Hyderabad Stock Exchange Limited and Bangalore Stock Exchange Limited. The listing fee was paid up to date.

**e) Overseas Office:**

The foreign branch in U.S.A. was closed during the year due to no significant business transactions in the international market.

**f) Fixed Deposits:**

The Company has not accepted fixed deposits during the year to which the provisions of Section 58A of the Companies Act, 1956. There are no overdue amounts of deposits including the interest thereon as at the end of the year.

**g) Directors:**

In accordance with the provisions of the Companies Act, 1956, and the Articles of Association of the Company, Dr. T.H Chowdary, Director, Dr. T.V. Lakshmi, Director and Sri T. Bapaiah Chowdary, Director, will be retiring by rotation at this annual general meeting and being eligible offer themselves for reappointment.

**h) Auditors:**

M/s. NARVEN ASSOCIATES, Chartered Accountants retire at the ensuing Annual General Meeting, and are eligible for reappointment. They have furnished the requisite certificate to the effect that their reappointment, if effected, would be in accordance with section 224 (1B) of the Companies Act 1956.

**i) Particulars of Employees:**

Statement of particulars of employees pursuant to the provisions of section 217 (2A) of the Companies Act, 1956.

Name	Designation	Qualification	Age (years)	Date of Joining	Experience (Years)	Gross Remuneration Including Commission	Previous Employment
T.Gopichand	V.C. & M.D.	M.Tech	48	01.09.1995	26	25,44,228	Senior Technical Officer, Electronics Corporation of India Limited

**j) Conservation of energy, technology absorption and foreign exchange earnings/out goings:**

The particulars as required U/S 217(1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of the Board of Directors) Rules 1988 are:

- 1. Conservation of energy:** The Company is not an energy intensive unit.
- 2. Technology absorption, adaptation & innovation:** The Company has not imported any technology.
- 3. Foreign Exchange Earnings and outgo:**

**1. Earnings in Foreign Currency (FOB):**

Particulars	Current Year (Rs.)	Previous Year (Rs.)
Software Development / Services	53,61,492	1,27,10,000
<b>Total</b>	<b>53,61,492</b>	<b>1,27,10,000</b>

**2. Expenditure in Foreign Currency (CIF):**

<b>Particulars</b>	<b>Current Year (Rs.)</b>	<b>Previous Year (Rs.)</b>
Import of Raw Material	Nil	Nil
Traveling Expenses	Nil	Nil
Expenses incurred at Overseas branch	Nil	1,31,565
<b>Total</b>	<b>Nil</b>	<b>1,31,565</b>

**k) Directors' Responsibility Statement:**

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- a. That in the preparation of the accounts for the financial year ended 31st March, 2007 the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b. That the directors have selected such accounting policies and applied them consistently and made adjustments and estimates that were 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 of the company for the year under review;
- c. That the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. That the directors have prepared the accounts for the financial year ended 31st March, 2007 on a going concern basis.

**l) Acknowledgment:**

Your directors thank the clients, vendors, investors and bankers for their continued support. Your directors place on record their appreciation of the contribution made by the employees at all levels. Your directors thank the Government of India, State Governments, Electronic Corporation of India Limited and Other Government Agencies for their support during the year and look forward to their patronized support.

**For and on behalf of the Board of Directors**

Date: 31.08.2007  
Place: Hyderabad.

Sd/-  
**(T. Gopi Chand)**  
Vice Chairman and Managing Director

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

**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:**

Category	Name of the Directors
Promoter/Executive Directors	Sri T. Gopi Chand, Sri N.V.V.Prasad and Smt. T. Pavana Devi
Promoter Non-Executive Director	Sri T. Bapaiah Choudary
Non-Promoter Executive Director	Nil
Non-Executive and Independent Directors	Sri D. Seetharamaiah, Sri R.S.Bakkannavar, Dr. T. Hanuman Chowdary Dr. T.V.Lakshmi and Sri K. Rama Rao

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

During the year the Board met eight times on 28.04.2006, 08.05.2006, 19.06.2006, 28.07.2006, 28.08.2006, 29.09.2006, 28.10.2006 and 31.01.2007.

Name of the Director	Attendance Particulars			Committee memberships/ Chairmanships in our Company		Number of other Directorships & Committee memberships	
	Board Meetings		Last AGM	Member-ships	Chairman-ships	Director-ships	Member-ships
	Held	Present					
Sri T. Gopi Chand	8	8	Yes	Nil	Nil	1	Nil
Sri N.V .V. Prasad	8	8	Yes	Nil	Nil	1	Nil
Smt. T. Pavana Devi	8	8	Yes	Nil	Nil	1	Nil
Sri T. Bapaiah Choudary	8	8	Yes	1	1	Nil	Nil
Sri K. Rama Rao	8	8	Yes	3	Nil	Nil	Nil
Sri D. Seetharamaiah	8	7	Yes	1	1	6	5
Sri R.S. Bakkannavar	8	6	Yes	Nil	1	1	Nil
Dr. T. Hanuman Chowdary	8	7	Yes	Nil	Nil	2	2
Dr. T.V. Lakshmi	8	8	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. The Board constituted the Audit Committee comprising the following Directors:

- |                         |          |
|-------------------------|----------|
| 1. Sri R.S.Bakkannavar  | Chairman |
| 2. Sri D. Seetharamaiah | Member   |
| 3. Sri K. Rama Rao      | Member   |

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

1. Oversight of the Company's financial reporting process and the disclosure of its financial information.
2. Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
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 adjustments arising out of audit,
  - the going concern assumption,
  - compliance with accounting standards,
  - any related party transactions i.e transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of Company at large.
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 there on.
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 28.04.2006, 27.07.2006, 25.08.2006, 28.10.2006 and 31.01.2007. All the members were present at all the meetings except Sri R.S. Bakkannavar who had not attended two meetings on 27.07.2006 and 25.08.2006.



**4. Shareholders' Grievance Committee:**

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

- |                            |          |
|----------------------------|----------|
| a. Sri T. Bapaiah Choudary | Chairman |
| b. Dr. T.V. Lakshmi        | Member   |
| c. 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 has met 4 times on 30.6.2006, 30.9.2006, 30.12.2006 and 31.3.2007 respectively and all the members were present at all the meetings.

The total number of complaints received and replied to the satisfaction of shareholders during the year under review was 185. Outstanding complaints as on 31st March 2007 were nil.

**5. Remuneration Committee:**

The Board constituted the Remuneration Committee comprising the following Directors:

- |                            |          |
|----------------------------|----------|
| a. Sri D.Seetharamaiah     | Chairman |
| b. Sri K. Rama Rao         | Member   |
| c. Sri T. Bapaiah Choudary | Member   |
| d. 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 once on 25.08.2006 and all the members were present at the meeting.

**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	CurrentYear (Rs.)	Previous Year (Rs.)
Vice Chairman & Managing Director (Sri T.Gopi Chand)	25,44,228	11,32,761
Executive Director (Sri N.V.V.Prasad)	20,17,590	9,25,339
Whole Time Director (Smt. T.Pavana Devi)	11,07,635	5,19,205
<b>Total</b>	<b>56,69,453</b>	<b>25,77,305</b>

The Company has paid the following sitting fee to the Directors of the Company during the year ended on 31st March 2007 vis a vis the previous financial year ended on 31st March 2006.

<b>Particulars</b>	<b>Current Year (Rs.)</b>	<b>Previous Year (Rs.)</b>
Sri D.Seetharamaiah	52,000	45,500
Sri R.S.Bakkannavar	41,500	39,500
Sri T.Bapaiah Choudary	42,000	41,000
Dr. T. Hanuman Chowdary	27,000	26,500
Dr. T.V.Lakshmi	42,000	28,000
Sri K.Rama Rao	61,000	31,000
<b>Total</b>	<b>2,65,500</b>	<b>2,11,500</b>

**6. Investment Committee:**

The Board constituted the Investment Committee comprising the following Directors:

- |                        |        |
|------------------------|--------|
| a. Sri T.Gopi Chand    | Member |
| b. Sri N.V.V.Prasad    | Member |
| c. 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:

- |                     |        |
|---------------------|--------|
| a. Sri T.Gopi Chand | Member |
| b. Sri N.V.V.Prasad | Member |
| c. Mr. O.Babu Reddy | Member |

During the year 27 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 on 28.4.2006 with 4 directors of the company as stated below:

- |                        |          |
|------------------------|----------|
| a. Sri D.Seetharamaiah | Chairman |
| b. Sri R.S.Bakkannavar | Member   |
| c. Sri T.Gopi Chand    | Member   |
| d. Sri N.V.V.Prasad    | Member   |

During the year, the Committee met 2 times on 03.07.2006 and 01.12.2006. All the members were present at all the meetings

**9. General Body Meetings:**

**Location and time for last 3 Annual General Meetings were:**

YEAR	AGM	LOCATION	DATE	TIME
2003-2004	AGM	Jubilee Hills International Center, Road No.14, Jubilee Hills, Hyderabad.	27th September 2004	10.00 A.M.
2004-2005	AGM	Jubilee Hills International Center, Road No.14, Jubilee Hills, Hyderabad.	27th September 2005	10.00 A.M.
2005-2006	AGM	Jubilee Hills International Center, Road No.14, Jubilee Hills, Hyderabad.	29th September 2006	10.00 A.M.

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

Date	Type of meeting	Section	Brief particulars
05.06.2006	EGM	81 (1) (A)	To issue convertible warrants on preferential basis

**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 (All India) and Andhra Bhoomi (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 work attracts more number of players in the field and the competition becomes severe. 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, statutory auditors and regulatory authorities 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 28th September, 2007 at 10.00 A.M. at Jubilee Hills International Center, Road No. 14, Jubilee Hills, Hyderabad - 500 033.
- b. The Financial Year of the Company is April 1 to March 31.

**c. Date of book closure:**

From 22nd September 2007 to 28th September 2007 (both days inclusive) for the purpose of the Annual General Meeting.

- d. The Shares of the Company are listed/traded on

- i. The Hyderabad Stock Exchange Limited
- ii. Bangalore Stock Exchange Limited.
- iii. Bombay Stock Exchange Limited (Trading permission with effect from 19.4.2004).

The listing fee for the year 2007 - 2008 has been paid to The Hyderabad Stock Exchange Limited and 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:**

Hyderabad Stock Exchange Limited : TERA# (fully paid up) and TERAPP# (partly paid up)

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 2006	82.20	61.50
May 2006	150.45	71.55
June 2006	114.20	63.15
July 2006	77.70	57.60
August 2006	81.95	62.50
September 2006	75.60	66.50
October 2006	82.40	67.80
November 2006	90.30	61.25
December 2006	88.10	63.00
January 2007	114.85	79.50
February 2007	93.70	66.60
March 2007	69.95	53.60

The equity shares of the company were not traded on the Hyderabad Stock Exchange and Bangalore Stock Exchange as reported by the Stock Exchanges.

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 1,22,82,047 shares of the Company are in electronic form as on 30.6.2007.

**i. As of June 30, 2007 the distribution of our shareholding was as follows:**

S.No	Category	No. of Shareholders	Total Shares	% to Total
<b>A.</b>	<b>Shareholding of Promoter &amp; Promoter Group:</b>			
<b>1.</b>	<b>Indian</b>			
A.	Individuals/HUF	17	44,37,640	35.47
<b>2.</b>	<b>Foreign</b>	Nil	Nil	NIL
<b>B.</b>	<b>Public Shareholding:</b>			
<b>1.</b>	<b>Institutions</b>			
A.	Foreign Institutional Investors	2	7,02,500	5.61
<b>2.</b>	<b>Non-Institutions:</b>			
A.	Bodies Corporate	257	11,27,531	9.01
B.	Individuals			
1.	Individual Shareholders holding nominal share capital up to Rs.1 Lakh.	6600	28,94,558	23.13
2.	Individual Shareholders holding nominal share capital in excess of Rs.1 Lakh.	91	32,49,410	25.98
C.	Any Other (Specify) NRI/OCB	89	1,00,236	0.80
<b>C.</b>	<b>Shares held by Custodians etc.</b>	Nil	Nil	Nil
	<b>TOTAL</b>	<b>7056</b>	<b>1,25,11,875</b>	<b>100.00</b>

**j. Locations of our software development center:**

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

**k. Address for Correspondence:**

8-3-1113/2B, Kesava Nagar,  
Srinagar Colony, Hyderabad - 500 073  
Phone : +91-04-23736833.

For and on behalf of the Board of Directors

Sd/-

**(T. Gopi Chand)**

Vice Chairman and Managing Director

Sd/-

**(N.V.V.Prasad)**

Executive Director

Date : 31-08-2007

Place : Hyderabad

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***Tera Software Limited***

**NARVEN ASSOCIATES**  
Chartered Accountants  
313, 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 2007, 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 : 31st August, 2007.

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

**DECLARATION BY CHIEF EXECUTIVE OFFICER (CEO)**

I, T.Gopi Chand, 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 2007 compliance with the code of conduct of the company laid down for them.

Date: 31.08.2007  
Place: Hyderabad.

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

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

We, T.Gopi Chand, 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 2007 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 control 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.

Date: 31.08.2007  
Place: Hyderabad.

Sd/-  
**(T.Gopi Chand)**  
Vice Chairman and Managing Director

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



**AUDITORS' REPORT**

To  
The Members of  
**TERA SOFTWARE LIMITED,**

1. We have audited the attached Balance Sheet of TERA SOFTWARE LIMITED, as at March 31, 2007 and the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (ii) In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;
  - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the mandatory 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 March 31, 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2007 from being appointed as a director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
  - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :
    - (a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007;
    - (b) In the case of Profit and Loss Account, of the Profit for the year ended on that date; and
    - (c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **NARVEN ASSOCIATES**  
Chartered Accountants

Sd/-  
**(D.C. Naidu)**  
Partner

Membership No: 24643

Place: Hyderabad  
Date: 31st August 2007.

**Annexure to Auditor's Report Referred to in Paragraph 3 of our report of even date**

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and the situation of its fixed assets;
- (b) A major portion of fixed assets have been physically verified by the management during the year. In our opinion, the frequency of verification of the fixed assets by the management is reasonable having regard to the size of the Company and the nature of its assets. The discrepancies noticed have been properly dealt with in the books of account;
- (c) In our opinion, the company has not disposed of substantial part of fixed assets during the year and the going concern status of the company is not affected.
- (ii) (a) As explained to us, the inventories of the company have been physically verified by the management at reasonable intervals during the year.
- (b) In our opinion and according to the information and explanations given to us, the procedures for physical verification of inventory followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business;
- (c) In our opinion the Company has maintained proper records of inventory. The discrepancies between the physical stocks and the book stocks were not material.
- (iii) a. The Company had not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, clauses (iii)(b) to (iii)(d) of the aforesaid order are not applicable to the company.
- b. During the year, the company had not taken any unsecured loans from the parties covered in the register maintained under section 301 of the Companies Act, 1956 and the unsecured loan taken in the past from three parties covered in the register maintained under section 301 of the Companies Act, 1956 the maximum amount involved during the year was Rs.7.80 lakhs and the same is outstanding at the end of the year.
- c. In our opinion the rate of interest and other terms and conditions on which loans have been taken from the other parties listed in the Companies Act, 1956 are not prima facie prejudicial to the interest of the company.
- d. The company is regular in payment of the principal amount and interest thereon as stipulated.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for purchase of inventory, fixed assets and for the sale of Goods and Services. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in internal controls.
- (v) (a) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements, that needed to be entered into in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, there are no transactions in pursuance of contracts or arrangements entered in the registers maintained under Section 301 of the Companies Act, 1956 aggregating during the year to Rs.5,00,000/- (Rupees five lakhs) or more in respect of any party.
- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from public.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business;
- (viii) According to the information and explanations given to us the company is not required to maintain cost records under section 209(1)(d) of the Companies Act, 1956 in respect of the services carried out by the company.
- (ix) (a) According to the records of the company and the information and explanations provided to us, the Company is generally regular in depositing with appropriate authorities undisputed amount of provident fund, investor education protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, cess and other statutory dues applicable to it and no undisputed amounts payable were outstanding as at 31st March, 2007 for a period of more than six months from the date they became payable. As explained to us, the Service Tax, Excise Duty and Customs Duty are not applicable to the company;

- (b) According to the information and explanations given to us, there are no dues in respect of Income Tax, Excise Duty, Customs Duty, Wealth Tax, Service tax, Sales Tax and Cess that have not been paid to the concerned authorities on account of any dispute other than the following;

<b>Nature of the dues</b>	<b>Amount (Rs)</b>	<b>Period which the amount relates</b>	<b>Forum where dispute is pending</b>
Sales Tax	18,89,534	2005-06	High Court
Sales Tax	35,80,063	2003-04	High Court
Sales Tax	14,30,253	2002-03	High Court

- (x) The Company has no accumulated losses at the end of the financial year and has not incurred any cash losses during the year or in the immediately preceding financial year;
- (xi) As per books and records maintained by the company and according to the information and explanation given to us, the company has not defaulted in the repayment of dues to banks or debentureholders but there have been delays in repayment of dues to financial institutions as follows:

<b>Name of Institution/Bank</b>	<b>Amount Due Rs.in Lakhs</b>	<b>Due Date Payment</b>	<b>Date of Payment</b>	<b>No.Of.Days Delay</b>
Bank of Maharashtra	375,000	7th January'2007	20th April'2007	103 Days
Bank of Maharashtra	1167,000	7th February'2007	20th April'2007	72 Days

- (xii) Based on our examination and according to the information and explanations 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. Accordingly, clause 4(xii) of the Order is not applicable.
- (xiii) The Company is not a chit/nidhi/mutual benefit fund/society. Accordingly, clause 4(xiii) of the Order is not applicable.
- (xiv) The Company is not dealing or trading in shares, securities, debentures and other investments; Accordingly, clause 4(xiv) of the Order is not applicable.
- (xv) On the basis of the information and explanations given to us the Company has not given any guarantee for loans taken by others from bank or financial institutions;
- (xvi) According to the information and explanations given to us and on the basis of our examination of the books of account, the term loans obtained by the Company were applied for the purpose for which such loans were obtained.
- (xvii) On the basis of our examination of the books of accounts and the information and explanation given to us, in our opinion, the funds raised on short-term basis have not been used for long-term investment and vice versa.
- (xviii) The Company has made preferential allotment of 42,500 number of fully convertible warrants to 2 parties covered in the Register maintained under section 301 of the Act, and the price at which warrants have been issued is not prejudicial to the interest of the company.
- (xix) The Company has not issued any Debentures during the year;
- (xx) The Company has not raised any money by public issue during the year;
- (xxi) Based on the audit procedures performed and information and explanations given to us by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For **NARVEN ASSOCIATES**  
Chartered Accountants

Sd/-  
**(D.C. Naidu)**  
Partner

Membership No: 24643

Place: Hyderabad  
Date: 31st August 2007.

## BALANCE SHEET AS AT 31.03.2007

	Schedule		As At 31st March 2007 Rs.	As At 31st March 2006 Rs.
<b>I. SOURCES OF FUNDS</b>				
<b>A. SHAREHOLDERS' FUNDS</b>				
Share Capital	1	121,278,750		92,048,475
Reserves & Surplus	2	<u>163,446,711</u>	<b>284,725,461</b>	<u>108,878,419</u>
<b>B. LOAN FUNDS</b>				
Secured Loans	3	217,573,264		152,793,411
Unsecured Loans	4	<u>1,580,000</u>	<b>219,153,264</b>	<u>1,880,000</u>
<b>C. Deferred Tax Liability(net)</b>			<b>18,706,213</b>	<b>18,147,215</b>
<b>TOTAL</b>			<b>522,584,938</b>	<b>373,747,520</b>
<b>II. APPLICATION OF FUNDS</b>				
<b>A. FIXED ASSETS</b>	5			
Gross Block		301,551,175		255,866,649
Less : Depreciation		<u>146,617,655</u>		<u>103,387,764</u>
Net Block		<u>154,933,520</u>		<u>152,478,885</u>
Add : Capital work in progress		<u>2,094,333</u>	<b>157,027,853</b>	<u>102,617,198</u>
<b>B. INVESTMENTS</b>	6		-	-
<b>C. CURRENT ASSETS, LOANS &amp; ADVANCES</b>				
Inventories	7	557,436		2,236,604
Sundry Debtors	8	368,119,909		200,674,974
Cash & Bank Balances	9	30,507,365		20,460,242
Loans & Advances	10	<u>118,324,704</u>		<u>17,541,793</u>
		<u>517,509,414</u>		<u>240,913,613</u>
Less : Current Liabilities & Provisions				
Current Liabilities	11	99,610,126		88,385,364
Provisions	12	<u>52,342,203</u>		<u>33,876,812</u>
		<u>151,952,329</u>		<u>122,262,176</u>
<b>NET CURRENT ASSETS</b>			<b>365,557,085</b>	<b>118,651,437</b>
<b>MISCELLANEOUS EXPENDITURE</b> (to the extent not written off or adjusted)	13		-	-
<b>TOTAL</b>			<b>522,584,938</b>	<b>373,747,520</b>
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>	20			

As per our report of even date attached  
For **NARVEN ASSOCIATES**  
Chartered Accountants

Sd/-  
**(D.C.NAIDU)**  
Partner  
Membership No:24643

For and on behalf of the board of directors

Sd/-  
**(T.GOPI CHAND)**  
Vice Chairman & Managing Director

Sd/-  
**(N.V.V.PRASAD)**  
Executive Director

Place: Hyderabad.  
Date : 31st August 2007.

Sd/-  
**(B. D.NAIDU)**  
General Manager (Finance)

**PROFIT and LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2007**

	SCHEDULE	For the year ended 31st March 2007		For the year ended 31st March 2006	
		Rs.	Rs.	Rs.	Rs.
<b>I. INCOME:</b>					
Gross Sales & Services	14		579,043,751		350,769,820
Other Income	15		4,313,653		2,198,999
<b>Total</b>			<b>583,357,404</b>		<b>352,968,819</b>
<b>II. EXPENDITURE:</b>					
Cost Of Goods Sold	16		121,430,822		64,266,700
Personnel Cost	17		22,275,190		20,073,653
Operating and other expenses	18		211,986,801		130,916,774
Financial Cost	19		16,990,584		8,350,182
Depreciation & Amortization			45,008,833		36,820,092
Preliminary Expenses written off			-		70,100
Capital Issue Expenditure written off			-		-
Prior Period (Income)/Expenses(net)			10,706		249,300
<b>Total</b>			<b>417,702,936</b>		<b>260,746,801</b>
<b>Profit before Tax</b>			<b>165,654,468</b>		<b>92,222,018</b>
Less :					
- Provision for tax (including provision for wealth tax Rs.11,200, Previous Year Rs.11,200)		57,689,073		28,117,460	
-Fringe Benefit Tax		400,000		460,000	
- Deferred tax(net)		558,998	58,648,071	2,496,061	31,073,521
<b>Profit after Tax</b>			<b>107,006,397</b>		<b>61,148,497</b>
Add: Balance brought forward from previous year		24,878,419		34,598,065	
Add: Taxation Provision for the earlier years written Back		-		138,772	
Add/(Less): Taxation for Earlier Year		(137,819)	24,740,600	-	34,736,837
<b>Profit available for appropriations</b>			<b>131,746,997</b>		<b>95,885,334</b>
Less: Appropriations					
Transferred to General Reserve		50,000,000		50,000,000	
Proposed Dividend on Equity Shares		25,023,750		18,419,000	
Tax on distributed profit		4,252,786		2,583,265	
Residual dividend earlier Years		-		4,078	
Tax on residual dividend for earlier years		-		572	
			79,276,536		71,006,915
<b>Balance Carried to Balance Sheet</b>			<b>52,470,461</b>		<b>24,878,419</b>
Earnings per share					
-Basic			9.28		5.82
-Diluted			9.08		-
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>					
	20				

As per our report of even date attached  
**For NARVEN ASSOCIATES**  
Chartered Accountants

Sd/-  
**(D.C.NAIDU)**  
Partner  
Membership No:24643

**For and on behalf of the board of directors**

Sd/-  
**( T.GOPI CHAND)**  
Vice Chairman & Managing Director

Sd/-  
**( N.V.V.PRASAD)**  
Executive Director

Sd/-  
**(B. D.NAIDU)**  
General Manager (Finance)

Place: Hyderabad.  
Date : 31st August 2007.

**Cash Flow Statement Annexed to the Balance Sheet For the Year ended 31st March 2007**

	Current Year 31st Mar'2007 Rs.	Previous Year 31st Mar'2006 Rs.
<b>A. Cash flow from Operating Activities:</b>		
Net Profit Before Tax as per Profit & Loss A/c.	165,654,468	92,222,018
<i>Adjustments for:</i>		
Depreciation & Amortization	45,008,833	36,820,092
Profit on sale of Mutual Fund Units	-	(4,397)
Loss on Sale of Investments	-	1,200
Loss on Sale of Fixed Assets	608,429	-
Dividend received from Mutual Fund Investments	-	(14,152)
Prior Period Expenses/(Income)	10,706	249,300
Interest Income	(1,496,801)	(1,207,433)
Preliminary Expenses Written Off	-	70,100
Interest Expenses	14,368,395	7,524,658
	58,499,562	43,439,368
Operating Profit before working capital changes	224,154,030	135,661,386
<i>Adjustments for:</i>		
Inventories	93,470,632	(1,989,754)
Sundry debtors	(167,444,935)	(127,923,689)
Loans and advances	(100,642,684)	(1,448,073)
Current Liabilities and provisions	49,666,514	19,057,232
	(124,950,473)	(112,304,284)
Cash Generated from Operations	99,203,557	23,357,102
Prior Period (Expenses)/Income	(10,706)	(249,300)
Taxes Paid	(48,496,386)	(24,400,406)
<b>Net Cash from Operating Activities</b>	<b>50,696,465</b>	<b>(1,292,604)</b>
<b>B. Cash flow from Investing Activities:</b>		
Purchase of Fixed Assets & Advances paid	(77,840,505)	(122,074,920)
Purchase of Investments	-	(14,152)
Sale of Investments	-	6,137,179
Interest Income	1,356,574	1,254,279
Dividend Income from mutual funds	-	14,152
<b>Net Cash Generated from Investing Activities</b>	<b>(76,483,931)</b>	<b>(114,683,462)</b>
<b>C. Cash flow from Financing Activities:</b>		
Proceeds from Issue of share capital (net)	6,206,525	46,534,400
Proceeds from Long term funds	63,371,918	76,965,036
Repayment of Long term loans	(12,838,483)	(18,848,706)
Short term loans (net)	13,946,418	31,766,153
Interest Paid	(14,259,700)	(7,832,368)
Dividend Paid	(20,592,089)	(13,012,295)
<b>Net Cash Generated from Financing Activities</b>	<b>35,834,589</b>	<b>115,572,220</b>
Net Increase/(Decrease) in Cash and Cash Equivalents	10,047,123	(403,846)
Opening Balance of Cash and Cash Equivalents	20,460,242	20,864,088
<b>Closing Balance of Cash and Cash Equivalents</b>	<b>30,507,365</b>	<b>20,460,242</b>

As per our report of even date attached  
For **NARVEN ASSOCIATES**  
Chartered Accountants

Sd/-  
**(D.C.NAIDU)**  
Partner  
Membership No:24643

Place: Hyderabad.  
Date : 31st August 2007.

For and on behalf of the board of directors

Sd/-  
**(T.GOPI CHAND)**  
Vice Chairman & Managing Director

Sd/-  
**(N.V.V.PRASAD)**  
Executive Director

Sd/-  
**(B. D.NAIDU)**  
General Manager (Finance)

**SCHEDULES FORMING PART OF THE BALANCE SHEET**

	As At 31st March'2007 Rs.	As At 31st March'2006 Rs.
<b>1. Share Capital</b>		
<b>Authorised</b>		
150,00,000 Equity Shares of Rs.10/- each	150,000,000	150,000,000
<b>a. Issued, Subscribed and Paid up</b>		
1,15,11,875 Equity Shares of Rs.10/- each (Previous year 92,09,500 Equity Shares of Rs. 10/- each) (of the above, 1,68,090 Equity Shares have been allotted other wise than by cash) (23,02,375 Equity Shares are allotted as fully paid up bonus shares by capitalisation of General Reserve)	115,118,750	92,095,000
Less: Calls in arrear - by others	-	46,525
	115,118,750	92,048,475
<b>b. Warrants Convertible To Equity Shares</b>	6,160,000	-
800,000 warrants, Rs.7.70/- paid for each warrant as application money. Each warrant is convertible into one Equity Share of Rs.10/- at a price of Rs.77/-(including Rs.10/- Face Value), in one or more tranches on or before the expiry of 12 months from the date of allotment		
<b>Total (a+b)</b>	121,278,750	92,048,475
<b>2. Reserves &amp; Surplus</b>		
<b>i) Reserves:</b>		
Securities Premium Account	31,500,000	31,500,000
Total(a)	31,500,000	31,500,000
General Reserve		
Opening Balance	52,500,000	2,500,000
(Less): Capitalized for issue of bonus shares	(23,023,750)	-
	29,476,250	2,500,000
Add: Transfer From Profit & Loss Account	50,000,000	50,000,000
Total(b)	79,476,250	52,500,000
<b>ii) Surplus in Profit &amp; Loss Account:</b>		
Profit & Loss Account	52,470,461	24,878,419
Total(c)	52,470,461	24,878,419
<b>Total(a)+(b)+( c)</b>	163,446,711	108,878,419
<b>3. Secured Loans:</b>		
<b>I. Term Loans:</b>		
a. From Banks		
-Syndicate Bank	11,337,576	15,300,962
-Bank of Maharashtra	158,565,149	104,896,466
(Term loans taken from Syndicate Bank and Bank of Maharashtra are secured by way of hypothecation of Land situated at Jubilee Hills, Hyderabad, Computers and peripherals, furniture & fixtures, stock in trade, receivables, outstanding monies and personal guarantee given by the Vice Chairman & Managing Director, Whole Time Director and Executive Director of the Company.)		
b. From Banks-For Vehicle Purchase		
-HDFC Bank Limited	1,321,793	-
-ICICI Bank Limited	636,175	829,830
(Secured by specific charge on vehicles for which the loan is availed)		
<b>II. Working Capital Loans from Banks:</b>		
- Bank of Maharashtra (Refer Note 1 (a) of Notes on Accounts )	45,712,571	31,766,153
<b>Total</b>	217,573,264	152,793,411
<b>4. Unsecured Loans</b>		
Public Deposits from Share holders	1,580,000	1,880,000
<b>Total</b>	1,580,000	1,880,000

## SCHEDULE 5 : FIXED ASSETS

(Amount in Rupees)

Particulars	GROSS BLOCK			DEPRECIATION/AMORTISATION				NETBLOCK	
	As at 31st March 2006	Additions	Adjustments/ (Deductions)	As at 31st March 2007	During the year	(Deductions)	As at 31st March 2007	As at 31st March 2007	As at 31st March 2006
Land	11,684,075	-	-	11,684,075	-	-	-	11,684,075	11,684,075
Buildings	22,452,750	-	-	22,452,750	365,980	-	568,709	21,884,041	22,250,021
Office Equipment	677,941	139,081	124,139	692,883	35,366	32,407	212,251	480,632	468,649
Computers & Servers	35,434,250	27,275,167	2,046,636	60,662,781	7,410,306	1,671,182	16,698,663	43,964,118	24,474,711
Electrical Equipment	1,408,608	8,921,744	-	10,330,352	333,717	-	372,344	9,958,008	1,369,981
Furniture & Fixtures	1,519,607	7,806,445	216,596	9,109,456	388,349	75,353	709,216	8,400,240	1,123,387
Capital Expenditure on Projects Division *	180,125,473	1,599,051	-	181,724,524	36,181,775	-	126,749,777	54,974,747	89,557,471
Vehicles**	2,563,945	2,330,409	-	4,894,354	293,340	-	1,306,695	3,587,659	1,550,590
<b>Total</b>	<b>255,866,649</b>	<b>48,071,897</b>	<b>2,387,371</b>	<b>301,551,175</b>	<b>45,008,833</b>	<b>1,778,942</b>	<b>146,617,655</b>	<b>154,933,520</b>	<b>152,478,885</b>
<b>Previous Year</b>	<b>168,652,960</b>	<b>87,213,689</b>	<b>-</b>	<b>66,567,672</b>	<b>36,820,092</b>	<b>-</b>	<b>103,387,764</b>	<b>152,478,885</b>	<b>102,085,288</b>
Capital work in progress***	102,617,198	-	(100,522,865)	2,094,333	-	-	-	2,094,333	102,617,198

Note:

\* Total Assets acquired under Projects Division are transferrable to the respective customers at the end of the tenure of the project.

\*\* Includes vehicles financed Gross Block Rs.2,970,029 Net Block Rs.2,672,692

\*\*\* Reduction in the Capital Work in Progress Includes Project Assets transferred to Stock-in-trade Rs. 91,791,464.

## 6. Investments

Long Term Investments  
(Non trade and unquoted)

Sl no.	Particulars	Opening			Purchases			Sales			Adjustments			Balance	
		No. of Shares	Face Value per Share Rs.	Aggregate Value Rs.	No. of Shares	Face Value per Share Rs.	Aggregate Value Rs.	No. of Shares	Face Value per Share Rs.	Aggregate Value Rs.	Decline in Investment	No. of Shares	Face Value per Share Rs.	Aggregate Value Rs.	
A	Investments made in fully paid equity shares in														
1	<i>Xt. Softech Systems Limited (Previous Year)</i>	10,000	10	100,000	0	-	0	10,000	10	98,800	0	-	-	-	-
B	Investment in Mutual Funds														
1	HDFC Floating Rate Fund(Previous Year)	599,877	10.04	6,019,830	1,410	10	14,152	601,287	10	6,038,379	0	-	-	-	-
	<b>(TOTAL) Previous Year</b>	<b>609,877</b>		<b>6,119,830</b>	<b>1,410</b>	<b>-</b>	<b>14,152</b>	<b>611,287</b>	<b>-</b>	<b>6,137,179</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



**SCHEDULES FORMING PART OF THE BALANCE SHEET**

	As At 31st March'2007 Rs.	As At 31st March'2006 Rs.
<b>7. Inventories</b>		
(As taken, valued and certified by management)		
Raw Material	557,436	46,040
Finished Goods/Trading Goods	-	2,190,564
<b>Total</b>	<b>557,436</b>	<b>2,236,604</b>
<b>8. Sundry Debtors</b>		
(Unsecured)		
<b>Over Six Months</b>		
Considered Good	52,325,360	36,406,929
<b>Others</b>		
Considered Good	315,794,549	164,268,045
(Includes unbilled work of Rs.426.67 Lakhs, Previous year Rs.576.06 Lakhs)		
	<b>368,119,909</b>	<b>200,674,974</b>
<b>9. Cash &amp; Bank Balances</b>		
Cash	364,353	394,431
Balances with Scheduled Banks in Current Accounts*	10,380,517	1,408,477
in Current Accounts in Foreign Currency	74,088	74,088
in Deposit Accounts	19,688,407	18,500,175
Balances with Non-Scheduled Banks		
Harris Trust Bank (in foreign currency)	-	83,071
<b>Total</b>	<b>30,507,365</b>	<b>20,460,242</b>
Maximum Balance during the year in non-scheduled bank		
Harris Trust Bank, USA.	83,071	83,240
* Includes Rs. 80,831 (Previous Year Rs.83,431) being balance in Unpaid Dividend Account with ICICI Bank Limited and Rs.830,780 (Previous Year Rs.418,004) with HDFC Bank Ltd.		
* Includes Rs.NIL/- (Previous Year Rs.24,725/-) being balance in Public Issue Allotment Account with Bank Of Maharashtra.		
<b>10. Loans &amp; Advances</b>		
(Unsecured)		
<b>Considered good</b>		
Accrued Interest	486,451	346,224
Deposits	9,732,683	11,453,610
Advances recoverable in cash or in kind or for value to be received	108,105,570	5,741,959
<b>Total</b>	<b>118,324,704</b>	<b>17,541,793</b>
<b>11. Current Liabilities</b>		
Interest accrued but not due on loans	286,679	177,984
Sundry Creditors for trading goods	2,029,279	2,412,610
for Capital Goods	6,909,335	45,409,344
for other liabilities and expenses	89,207,002	39,867,771
Unclaimed excess share allotment money (\$)	1,020	1,020
Unclaimed Dividend (\$)	911,611	501,435
Advances from customers	265,200	15,200
(( \$ ) Unclaimed Dividend/Excess Share Allotment Money Received do not include any amounts, due and outstanding, to be credited to Investor Education and Protection Fund.)		
<b>Total</b>	<b>99,610,126</b>	<b>88,385,364</b>

**SCHEDULES FORMING PART OF THE BALANCE SHEET**

	As At 31st March'2007 Rs.	As At 31st March'2006 Rs.
<b>12. Provisions</b>		
Proposed Dividend	25,023,750	18,419,000
Tax on Distributed Profit	4,252,786	2,583,265
Provision for Tax (net of advance Tax)	21,881,045	12,150,539
Provision for Gratuity	1,184,622	724,008
<b>Total</b>	<b>52,342,203</b>	<b>33,876,812</b>
<b>13. Miscellaneous Expenditure :</b>		
(to the extent not written off or adjusted)		
Preliminary Expenditure		
Opening Balance	-	70,100
Add : Addition During the year	-	-
	-	70,100
Less : Written off during the year	-	70,100
<b>Total</b>	<b>-</b>	<b>-</b>

**SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED**

	31st March'2007 Rs.	31st March'2006 Rs.
<b>14. Gross Sales and Services</b>		
Sale of Goods(net of returns)	6,983,620	68,867,388
Income from Projects & Services	572,060,131	281,902,432
<b>Total</b>	<b>579,043,751</b>	<b>350,769,820</b>
<b>15. Other Income</b>		
Insurance Claim Recovered	8,515	-
Interest Income	1,496,801	1,207,433
(TDS Rs.287,858/- Previous Year Rs. 2,22,617/- )		
Discount and Other Incentives Received	247,961	682,116
Income from non trade investments:		
Dividends from mutual fund units	-	14,152
Profit on Sale of Mutual Funds	-	4,397
Sundry Credit balances written back	2,153,151	278,450
Miscellaneous Income	407,225	12,451
<b>Total</b>	<b>4,313,653</b>	<b>2,198,999</b>

**SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED**

	31st March'2007 Rs.	31st March'2006 Rs.
<b>16. Cost Of Goods Sold</b>		
(a) Raw Material, Components consumed and Purchase of Trading Goods		
Opening stock	46,040	92,010
Add: Purchases (net of returns)	5,448,224	66,256,454
	5,494,264	66,348,464
(Less): Closing stock	557,436	46,040
Total (a)	4,936,828	66,302,424
(b) (Increase)/Decrease in Finished Goods		
Opening stock	2,190,564	154,840
Less: Closing stock	-	2,190,564
Total (b)	2,190,564	(2,035,724)
Total (a+b)	7,127,392	64,266,700
Add: Capital Assets Transferred to Stock In Trade	114,303,430	-
<b>Total(a+b)</b>	<b>121,430,822</b>	<b>64,266,700</b>
<b>17. Personnel Cost</b>		
Salaries, wages, Bonus and other benefits	17,931,701	17,908,762
Commission to whole time directors	3,166,373	874,225
Contribution to Provident Fund, ESI etc.	1,084,657	1,209,433
Staff Welfare	92,459	81,233
<b>Total</b>	<b>22,275,190</b>	<b>20,073,653</b>
<b>18. Operating and other Expenses</b>		
Advertisement & Sales Promotion	191,178	170,505
Consultancy, Job Work & Other Charges	146,302,135	102,265,497
Consumables	25,943,492	9,789,833
Electricity Charges	2,577,155	2,020,821
Insurance	397,864	256,327
Loss on sale of Investments	-	1,200
Loss on sale of Fixed Assets	608,429	-
General Expenses	4,019,721	2,981,315
Communication, Courier & Postage	18,075,963	2,077,727
Printing & Stationery	339,072	366,019
Rates & Taxes	1,381,112	2,278,355
Remuneration to Auditors	350,000	190,000
Rent	1,738,300	778,658
Repairs & Maintenance - Others	3,617,473	3,130,152
Bad Debts written off	42,781	138,850
Sitting fees	265,500	211,500
Travelling & Conveyance	6,136,626	4,260,015
<b>Total</b>	<b>211,986,801</b>	<b>130,916,774</b>
<b>19: Financial Cost</b>		
Interest on Fixed Loans	14,368,395	7,524,658
Interest on Working Capital & Others	2,622,189	825,524
<b>Total</b>	<b>16,990,584</b>	<b>8,350,182</b>

**20. SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS:**

I. Following are the significant accounting policies adopted by the Company.

**1. Preparation and presentation of financial statements.**

**1. BASIS OF PREPARATION:**

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

**2. USE OF ESTIMATES:**

The presentation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that affect the reported amount of revenues and expenses during the reporting period. Difference between the actual and estimates are recognized in the period in which the results are known/materialized.

**2. Fixed Assets & Depreciation:**

- i. Fixed assets are stated at the cost, less accumulated depreciation and impairment losses. Cost comprises purchase price, duties, levies and any other costs relating to the acquisition and installation of the assets. Interest and financing charges on borrowed funds, if any, used to finance the acquisition of fixed assets, which take substantial time until the assets are ready for use, are capitalized and included in the cost of the asset.
- ii. Capital work-in-progress includes advances paid towards the acquisition of fixed assets, and the cost of assets not put to use before the year-end, are disclosed under capital work-in-progress.
- iii. Fixed Assets acquired under finance lease are capitalized at the lower of the fair value and the present value of the minimum lease payments.
- iv. Depreciation on the Fixed Assets of the Company is provided on Straight-line method as per Schedule XIV of the Companies Act, 1956 on pro-rata basis.
- v. Capital Expenditure incurred on Projects Division is written-off over the tenure of the project period for the projects where the company is required to transfer the assets to the customer at the end of the project period and for other capital assets the depreciation is provided as per the clause (iv) above.
- vi. Assets acquired under finance lease, where there is reasonable certainty that the company shall obtain ownership of the assets at the end of the lease term, such assets are depreciated as per the clause (iv) above.

**3. Revenue Recognition:**

The company generally follows mercantile system of accounting and recognizes significant items of income on accrual basis.

- a) Revenue from sale of goods is recognized on transfer of significant risks and reward of ownership in the goods to the customers.
- b) Revenue from sale of software products is recognized when the sale is completed with the passing of title to the customers and revenue from software development on the time-and-material basis is recognized based on software developed and billed to clients as per the terms of contracts.
- c) Revenue from Technical Services is recognized on a pro-rata basis over the period in which such services are rendered.
- d) Revenue from Maintenance Contracts is recognized on a pro-rata basis over the period in which such services are rendered.
- e) Revenue from Agency Commission is recognized as and when it is receivable.

- f) Interest Income on term deposits is recognized using the time-proportion method, based on interest rates implicit in the transaction.
- g) Revenue from the project of Capturing Beneficiary Information and Printing of Household Cards of Andhra Pradesh Government has been recognized on the basis of the terms of contract and adjustments have been made for the revenue on the basis of proceedings received from the respective Government Authorities till the end of January'2007.
- h) Revenue from Projects Division is recognized on pro-rata basis as per the terms of the contract over the life of the project.
- i) Other items of income are accounted as and when right to receive arises.
- j) Unbilled revenues represent cost and earnings in excess of billings as at the balance sheet date.
- k) Income on investments and dividends on units is recognized as and when right to receive the same is established.

**4. Expenditure:**

Expenses are accounted on the accrual basis and provisions are made for all known losses and liabilities. The cost of software purchased for use in software development and services is charged to revenue in the same year.

**5. Inventories:**

Items of inventories are measured at lower of cost or net realizable value. Cost of inventories comprise of all cost of purchase, cost of conversion and other cost incurred in bringing the inventory to their present location and condition. Raw materials and the finished goods are valued on the basis of First In First Out (FIFO) method.

**6. Investments:**

- i. Long-Term Investments are carried at cost, and provision is made to recognize any decline, other than temporary, in the value of such investment.
- ii. Current investments are carried at the lower of cost and quoted/fair value, computed category wise.

**7. Miscellaneous Expenditure:**

**1. Preliminary Expenses:**

Preliminary expenses incurred up to 31st March 1998, have been written off over a period of 10 years and those incurred after 31st March 1998, have been written off over a period of 5 years.

**2. Capital Issue Expenditure:**

The company has adopted the procedure for writing-off the Capital Issue Expenses over a period of 5 years.

**8. Impairment of Assets**

An asset is treated as impaired when the carrying cost of assets exceeds its recoverable value. An impairment loss is charged to the Profit and Loss Account in the year in which an asset is identified as impaired. The impairment loss recognized in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount.

**9. Retirement Benefits to employees:**

**i. Defined Benefit Plan-Gratuity:**

Gratuity is a Defined Benefit Plan. The Company is liable to pay gratuity in terms of the relevant statute. In order to meet this liability, a provision is carried forward in the balance sheet, equivalent to an amount calculated based on a half month's salary of the last month of the financial year of all employees for each completed year of service, commencing from the first year of service. The resulting difference between brought forward provision at the beginning of a year and the carried forward provision at the end of a year is dealt with in the income statement, after making due adjustments for any payments.

The gratuity liability is not funded nor actuarially valued. This item is grouped under Current Liabilities & Provisions in the Balance Sheet.

**ii. Provident Fund:**

The company makes contribution to Provident Fund administered by the Central Government under the Provident Fund Act, 1952.

**10. Foreign Currency transaction:**

- i. Transactions denominated in foreign currencies are normally recorded at the exchange rate prevailing at the time of transaction.
- ii. Monetary items denominated in foreign currencies at the year-end and not covered by forward exchange contracts are translated at the rates of exchange at the balance sheet date and resulting gain or loss is recognized in the profit and loss account.
- iii. Foreign Branches:

All revenue and expenses transactions during the year are reported at the average rate. Monetary assets and liabilities are translated at the rate prevailing on the balance sheet date whereas non-monetary assets and liabilities are translated at the rate prevailing on the date of the transactions. Net gain/loss on foreign currency translation is recognized in the Profit and Loss account.

Fixed assets purchased at overseas offices are recorded at cost, based on the exchange rate as of the date of purchase. The charge for depreciation is determined as per the company's accounting policy.

**11. Borrowing Costs**

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

**12. Provision, Contingent Liabilities and Contingent Assets**

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statement.

**13. Product Warranty Expenses:**

Liabilities for warranties are recognized at the time, the claim is passed. The necessary provisions are made with respect to warranties claimed and passed pertaining to the year, as are received up to the end of one month from the close of the year.

**14. Claims Receivable:**

Claims receivable are accounted for depending on the certainty of receipt and claims payable are accounted at the time of acceptance.

**15. Income Tax:**

Provision for income tax is made for both current and deferred taxes. Provision for current Income tax is made at current tax rates based on assessable income. Deferred income taxes are recognized for the future tax consequences attributable to timing differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. The effect on deferred tax assets and liabilities of a change in tax rates was recognized using the tax rates and tax laws that have been enacted or substantively enacted by balance sheet date. 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 tax assets can be realized.

**16. Earnings per share**

1. Basic Earnings per Share: In determining earnings per share, the company considers the net profit after tax and includes the post-tax effect of any extra-ordinary items. The number of shares used in computing the basic earnings per share is the weighted average number of shares outstanding during the year.

2. Diluted Earnings per share is calculated by dividing the net earnings available to existing and potential Equity Shareholders by aggregate of the weighted average number of Equity Shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

The number of shares and potential dilutive equity shares are adjusted for any bonus issues.

**17. Leases:**

1. Assets given under finance lease are recognized as a sale transaction in the Profit and Loss Account and are treated like other outright sales.

The Finance Lease amount is shown as the receivables at an amount equal to the net investment in the lease.

Finance lease income is recognized over the period of the lease so as to yield a constant rate of return on the net investment in the lease.

2. Assets acquired under leases where the company has substantially transferred all the risk and rewards of ownership are classified as finance lease. Such assets are capitalized at the inception of the lease at the lower of fair value or present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period.

**18. Sales:**

Sales are stated at net of returns and exclusive of sales tax.

**II Notes on accounts:**

**1. Secured Loans:**

- a. Working Capital loans and bank guarantees given by Bank of Maharashtra are secured by way of hypothecation of Land situated at Jubilee Hills, Hyderabad, Computers and peripherals, stock in trade, software in process, book debts and lien on company's term deposits worth Rs.200.31 Lakh (previous year Rs. 185.00 Lakh) with the bank and personal guarantee given by the Vice Chairman & Managing Director, Whole Time Director and Executive Director of the Company.
- b. Future commitments in respect of assets acquired under Finance Schemes

Due	Total Minimum Lease Payments Outstanding (Rs)	Future Interest on Outstandings (Rs)
Payable within one year	657,502	145,910
Later than over year and not later than five years	1,300,466	126,923
<b>Total</b>	<b>1,957,968</b>	<b>272,833</b>

**2. Commitments and Contingencies:**

- a. The estimated amount of contracts remaining to be executed on capital account, and not provided for (net of advances) is Rs.55 lakh as at March 31, 2007 (Previous year Rs. 975 lakh).
- b. The company has outstanding guarantees of Rs.581.82 Lakh as at 31st March 2007 (previous year Rs. 607.62 Lakh).
- c. Sales tax matters under dispute are Rs. 69.00 lakhs and they are pending disposed at High Court (Previous Year Rs. 40.78 lakh).

Nature of the dues	Amount (Rs)	Period which the amount relates	Forum where dispute is pending
Sales Tax	1,889,534	2005-06	High Court
Sales Tax	3,580,063	2003-04	High Court
Sales Tax	1,430,253	2002-03	High Court

**3. Quantitative details:**

The company does trading of various kinds of computer items. It is not practicable to give quantitative details of sales and purchases for trading business. And also the company is engaged in the development and maintenance of computer software.

The production and sale of such software cannot be expressed in any generic unit. Hence, it is not practicable to give the quantitative details of sales and certain information as required under paragraphs 3,4C and 4D of Part II of Schedule VI to the Companies Act, 1956.

**4. Managerial Remunerations:**

Managerial Remuneration paid to Vice Chairman & Managing Director, Whole Time Director, Executive Directors and Directors.

	Current Year (Rs)	Previous Year (Rs)
Salaries & Allowances	2,475,000	1,675,000
Contribution to Provident	28,080	28,080
Provision for Gratuity	347,596	53,366
Commission	3,166,373	874,225
Directors Sitting Fee	265,500	211,500
<b>Total</b>	<b>6,282,549</b>	<b>2,842,171</b>

5. During the financial year the company issued Fully Convertible 800,000 Warrants convertible into fully paid equity shares of Rs.10/-each at a premium of Rs.67/- each ranking on pari-pasu from the date of conversion for participating in dividend and bonus. These 800,000 warrants were converted into Equity Shares of Rs.10/- each on 18th April'2007.
6. In the opinion of the board of directors the Current assets, Loans & Advances are expected to realize approximately the values stated in the accounts in the ordinary course of business, and provisions for all known liabilities have been adequately made in the accounts.
7. Computation of Net Profit in accordance with section 309(5) of the Companies Act'1956.

Particulars		Year ended March 31,2007		Year ended March 31,2006
Profit before Tax		165,654,468		92,222,018
Add:				
1. Wholetime directors remuneration	2,850,676		1,756,446	
2. Directors sitting fee	265,500		211,500	
3. Commission to wholetime directors	3,166,373		874,225	
4. Depreciaion as per books of accounts	45,008,833		36,820,092	
5. Loss on Sale of Investments	-		1,200	
6. Loss on Sale of Fixed Assets	608,429	51,899,811	-	39,663,463
		217,554,279		131,885,481
Less:				
1. Depreciaiton as envisaged under section 350 of the Companies Act	59,235,625		44,458,562	
2. Profit on Sale of Mutal Funds/Investments	-		4,397	
		59,235,625		44,462,959
Net Profit on which commission is payable		158,318,654		87,422,522
Maximum permissible commission as per the companies Act 2%		3,166,373		874,225
Commission Payable to :				
a) Managing Director		1,424,868		393,401
b) Executive Director		1,108,231		305,979
c) Whole Time Director		633,274		174,845



**8. Earnings in Foreign Currency (FOB):**

Particulars	Current Year (Rs.)	Previous Year (Rs.)
Software Development /Services(including unbilled)	5,361,492	12,710,000
<b>Total</b>	<b>5,361,492</b>	<b>12,710,000</b>

**9. Expenditure in Foreign Currency (CIF):**

Particulars	Current Year (Rs.)	Previous Year (Rs.)
Import of Raw Material	Nil	Nil
Travelling	Nil	Nil
Expenditure incurred at Overseas branches	Nil	131,565
<b>Total</b>	<b>Nil</b>	<b>131,565</b>

**10. Remuneration to Statutory Auditors:**

Particulars	Current Year (Rs.)	Previous Year (Rs.)
Statutory Audit fee	200,000	90,000
Tax Audit fee	60,000	30,000
Limited Review Fee	40,000	20,000
Taxation Matters	40,000	20,000
Certification Fee & Others	10,000	30,000
<b>Total</b>	<b>350,000</b>	<b>190,000</b>

**11. Segmental Reporting:**

The Company's operations predominantly relate to providing Integrated Solutions, Technical Division, Projects Division and Software Development Services to customers globally operating. Accordingly, the primary basis of segmental information setout in these financial statements, and secondary segmental reporting is performed on the basis of the geographical location.

Income & Direct expenses in relation to segments is categorized based on items that are individually identifiable to that segment, while the remainder of the costs are allocated on the bases of available information. Certain expenses, which form a significant component of total expenses, are not specifically allocable to specific segments. The Company believes that it is not practicable to provide segmental disclosures relating to those costs and expenses, and accordingly these expenses are separately disclosed as "unallocable" and directly charged against total income.

**a. Business Segments :**

Year ended March 31, 2007 and 2006

(all figures in Rs.)

	Integrated Solutions	Technical Division	Projects Division	Others	Unallocable	Total
Revenues	<b>6,976,025</b>	<b>99,837,192</b>	<b>466,861,447</b>	<b>5,369,087</b>	-	<b>579,043,751</b>
	<i>68,237,234</i>	<i>119,994,218</i>	<i>149,232,515</i>	<i>13,305,853</i>	-	<i>350,769,820</i>
Identified operating expenses	<b>6,599,679</b>	<b>68,150,504</b>	<b>233,626,372</b>	<b>2,985,000</b>	-	<b>311,361,555</b>
	<i>64,642,652</i>	<i>68,119,053</i>	<i>54,156,554</i>	<i>7,372,326</i>	-	<i>194,290,585</i>
Allocated Expenses	<b>166,418</b>	<b>8,993,100</b>	<b>58,230,130</b>	<b>122,169</b>	-	<b>67,511,817</b>
	<i>67,999</i>	<i>3,480,123</i>	<i>36,081,536</i>	<i>313,570</i>	-	<i>39,943,228</i>
Segmental operating income	<b>209,928</b>	<b>22,693,588</b>	<b>175,004,945</b>	<b>2,261,918</b>	-	<b>200,170,379</b>
	<i>3,526,583</i>	<i>48,395,042</i>	<i>58,994,425</i>	<i>5,619,957</i>	-	<i>116,536,007</i>
Unallocable expenses					<b>21,431,754</b>	<b>21,431,754</b>
					<i>18,162,806</i>	<i>18,162,806</i>
Operating income						<b>178,738,625</b>
						<i>98,373,201</i>
Other income/(expenses), net					<b>2,409,626</b>	<b>2,409,626</b>
					<i>991,566</i>	<i>991,566</i>
Net profit before Interest						<b>181,148,251</b>
						<i>99,364,767</i>
(Less): Interest Expenses					<b>(16,990,584)</b>	<b>(16,990,584)</b>
					<i>(8,350,182)</i>	<i>(8,350,182)</i>
Add: Interest Income					<b>1,496,801</b>	<b>1,496,801</b>
					<i>1,207,433</i>	<i>1,207,433</i>
Net profit before taxes						<b>165,654,468</b>
						<i>92,222,018</i>
Income Taxes (including FBTRs. 400,000)						<b>(58,648,071)</b>
						<i>(31,073,521)</i>
<b>Net Profit after taxes</b>						<b>107,006,397</b>
						<i>61,148,497</i>
Other Information						
Segment Assets	<b>4,388,886</b>	<b>83,044,656</b>	<b>503,228,308</b>	<b>1,674,782</b>	<b>82,200,635</b>	<b>674,537,267</b>
	<i>12,759,349</i>	<i>78,912,871</i>	<i>315,471,846</i>	<i>12,925,176</i>	<i>75,940,454</i>	<i>496,009,696</i>
Segment Liabilities	<b>3,058,057</b>	<b>39,595,240</b>	<b>23,930,999</b>	-	<b>85,368,033</b>	<b>151,952,329</b>
	<i>1,920,184</i>	<i>9,983,175</i>	<i>62,669,578</i>	-	<i>47,689,239</i>	<i>122,262,176</i>
Capital Expenditure	-	<b>46,333,765</b>	<b>1,599,051</b>	-	<b>139,081</b>	<b>48,071,897</b>
	-	<i>23,982,963</i>	<i>40,752,044</i>	-	<i>22,478,682</i>	<i>87,213,689</i>
Depreciation	-	<b>1,055,661</b>	<b>36,181,775</b>	<b>120,394</b>	<b>7,651,003</b>	<b>45,008,833</b>
	-	<i>851,243</i>	<i>32,290,533</i>	<i>232,320</i>	<i>3,445,996</i>	<i>36,820,092</i>

Note: Figures in italics represent previous year's figures.

**b. Geographical Segment**

As the company also exports (but the exports are not significant), the secondary segment for the company is based on the location of the customers. Out of the total sale the export sale is Rs.53.61 (lakhs)(Previous year Rs. 126.75 lakhs).

12. Related Party Transactions:

a) Name of Related Parties & relationship:

Party Name	Relation
Mr. T. Gopi Chand & Mr.T.Gopichand (HUF)	Key Management Personnel (Vice Chairman & Managing Director) & Spouse of Mrs. T. Pavana Devi.
Mrs. T. Pavana Devi	Key Management Personnel (Whole Time Director) & Spouse of Mr.T. Gopi Chand.
Mr. N.V.V.Prasad	Key Management Personnel (Executive Director)
Mrs. T.Seetha Ramamma	Mother of the Director
Mrs.N.Sridurga	Sister of the Director
Mrs.T.Tulasi Rani	Wife of the Director

b) Transactions with related parties:

<b>Name of the related party</b>	Mr. T. Gopi Chand & Mr.T.Gopi Chand (HUF)	Mrs.T. Pavana Devi	Mr. N.V.V.Prasad	Mrs.T. Seetha Ramamma	Mrs.N.Sridurga.	Mrs.Tulasi Rani
<b>Description of the Relationship between the parties</b>	Key Management Personnel (Vice Chairman & Managing Director) & Spouse of Mrs. T. Pavana Devi.	Key Management Personnel (Whole Time Director) & Spouse of Mr.T. Gopi Chand.	Key Management Personnel (Executive Director)	Mother of Director	Sister of the Director	Wife of the Director
<b>Description of the nature of transactions</b>	a) Receiving of Services b) Commission on Profits c) Receipt of Application amount on Warrants	a) Receiving of Services. b) Acquisition of existing office premises registration c)Commission on profit	a) Receiving of Services. b) Commission on Profits	Interest Paid on Public Deposits.	Interest Paid on Public Deposits.	Interest Paid on Public Deposits.
<b>Volume of the transactions either as an amount or as appropriate proportion</b>	a) Managerial Remuneration of Rs. 1,110,000 b) Commission of Rs.1,424,868 c) Warrants Rs. 173,250. d) From T. Gopichand (HUF) Rs. 154,000.	a) Managerial Remuneration of Rs. 465,000 b) Commission of Rs.633,274	a) Managerial Remuneration of Rs. 900,000 c) Commission of Rs.1,108,231	a) Interest paid on Deposits Rs.20,130	a) Interest paid on Deposits Rs.8,090	a) Interest Paid on Deposit Rs.48,616
<b>Any other elements of the related party transactions</b>	Managerial Remuneration, Warrants & Commission was approved by Share Holders	Managerial Remuneration & Commission was approved by Share Holders	Managerial Remuneration & Commission was approved by Share Holders	NIL	NIL	NIL
<b>The amounts or appropriate proportions of outstanding items pertaining to related parties at the Balance Sheet date</b>	a) Managerial Remuneration Payable Rs.596,713 b) Commission payable Rs.1,668,269 c) Warrants Rs. 173,250. d) From T. Gopichand (HUF) Rs. 154,000.	a) Managerial Remuneration Payable Rs.263,997 b) Commission payable Rs.708,118	a) Managerial Remuneration Payable Rs. 79,180 b) Commission payable Rs. 1,108,231	a) Interest Payable Rs.35,079 b) Fixed Deposit payable Rs.200,000	a) Interest Payable Rs.14,480 b) Fixed Deposit Payable Rs.80,000	a) Interest Payable Rs.67,733 b) Fixed Deposit Payable Rs.500,000
<b>Provisions for doubtful debts due from such parties at that date and amounts written off or written back in the period in respect of debts due from or to related parties</b>	NIL	NIL	NIL	NIL	NIL	NIL

13. Sundry debtors, sundry creditors, other liabilities, loans and advances, advances from customers etc. are subject to confirmation and reconciliation. Necessary adjustments, if any will be made when the accounts are reconciled and settled. However the management is fairly confident that the company will not face any undue risk due to this factor. The Company has obtained the confirmations for deposits and balances as at the end of the year from the respective banks.

14. Deferred Tax

Tax charged to Profit and Loss account is after considering deferred tax impact for the timing difference between accounting income and taxable income.

The deferred tax liability as at 31st March'2007 comprise of the following:

	Rs. In lakhs As At 31st March, 2007		Rs. In lakhs As At 31st March, 2006	
	A Deferred Tax Liability			
1 Related to fixed assets		205.69		211.04
B Deferred Tax Assets				
1 Disallowance under the Income Tax Act'1961	(18.63)	(18.63)	(29.57)	(29.57)
C Provision for deferred tax (net)		187.06		181.47

15. Prior period items, material items, non-recurring and extraordinary items are disclosed separately. Prior period items (net) include prior period income Rs.104,048 and prior period expenses Rs.114,754.(Previous year prior period income Rs. NIL and prior period expenses Rs.249,300)
16. There were no overdue amounts exceeding Rs.1,00,000/- each, which age outstanding for more than 30 days payable to Small Scale Industrial Undertaking as at March 31, 2007.
17. Earnings per Share.

	Current Year	Previous Year
a) Net Profit as per Profit and Loss Account(Rs)	107,006,397	61,148,497
b) (Less): Taxation for earlier year(Rs)	(137,819)	-
c) Profit available for equity share holders(Rs)	106,868,578	61,148,497
d) Weighted average number of Equity Shares outstanding during the year	11,511,875	10,500,916
e) Potential Equity Shares on conversion of warrants	260,000	-
f) Weighted Average number of equity shares in computing diluted earnings per share	11,771,875	-
g) Face Value of each Equity Shares(Rs)	10	10
h) Earnings per share		
-Basic(Rs)	9.28	5.82
-Diluted (Rs)	9.08	-

18. Paise have been rounded off to the nearest rupee.
19. Figures for the corresponding year ended March 31, 2006, wherever necessary, have been regrouped, recast, rearranged to conform to those of the current year.
20. There is no other additional information pursuant to the provisions of Part II Schedule VI of the Companies Act, 1956.

As per our report of even date attached  
For **NARVEN ASSOCIATES**  
Chartered Accountants

Sd/-  
**(D.C.NAIDU)**  
Partner  
Membership No:24643

For and on behalf of the board of directors

Sd/-  
**( T.GOPI CHAND)**  
Vice Chairman & Managing Director

Sd/-  
**( N.V.V.PRASAD)**  
Executive Director

Place: Hyderabad.  
Date : 31st August 2007.

Sd/-  
**(B. D.NAIDU)**  
General Manager (Finance)

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

(Inserted by Notification No.GSR 388 (E), dt.15-5-1995)

**I Registration Details**

Registraion No. 

		1	8	3	9	1
--	--	---	---	---	---	---

 State Code 

0	1
---	---

Balance Sheet Date 

3	1		0	3		2	0	0	7
---	---	--	---	---	--	---	---	---	---

  
Date            Month            Year

**II Capital Raised during the Year (Amount in Rs.Thousands)**

Public Issue 

				N	I	L
--	--	--	--	---	---	---

 Rights Issue 

				N	I	L
--	--	--	--	---	---	---

Bonus Issue 

		2	3	0	2	4
--	--	---	---	---	---	---

 Private Placement 

			6	1	6	0
--	--	--	---	---	---	---

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

Total Liabilities 

	5	2	2	5	8	5
--	---	---	---	---	---	---

 Total Assets 

	5	2	2	5	8	5
--	---	---	---	---	---	---

**Sources of Funds:**

Paid-up Capital 

	1	1	5	1	1	9
--	---	---	---	---	---	---

 Reserves & Surplus 

	1	6	3	4	4	7
--	---	---	---	---	---	---

Convertible Warrants 

			6	1	6	0
--	--	--	---	---	---	---

Loan Funds 

	2	1	9	1	5	3
--	---	---	---	---	---	---

 Deferred Tax 

		1	8	7	0	6
--	--	---	---	---	---	---

**Application of Funds:**

Net Fixed Assets 

	1	5	7	0	2	8
--	---	---	---	---	---	---

 Investments 

				N	I	L
--	--	--	--	---	---	---

Net Current Assets 

	3	6	5	5	5	7
--	---	---	---	---	---	---

 Misc.Expenditure 

				N	I	L
--	--	--	--	---	---	---

Accumulated Losses 

				N	I	L
--	--	--	--	---	---	---

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

Total Turnover 

	5	8	3	3	5	7
--	---	---	---	---	---	---

 Total Expenditure 

	4	1	7	7	0	3
--	---	---	---	---	---	---

Pofit Before Tax 

	1	6	5	6	5	4
--	---	---	---	---	---	---

 Profit After Tax 

	1	0	7	0	0	6
--	---	---	---	---	---	---

Earning Per Share (Rs.) 

	9	.	2	8
--	---	---	---	---

 Dividend Rate % 

	2	0
--	---	---

Dividend on Equity Shares (Rs.) 

	2	.	0	0
--	---	---	---	---

**V Generic Names of Principal Products of the Company**

Item Code No. (ITC Code) 

N	O	T		A	P	P	L	I	C	A	B	L	E
---	---	---	--	---	---	---	---	---	---	---	---	---	---

Product Description 

S	O	F	T	W	A	R	E		D	E	V	E	L	O	P	M	E	N	T
---	---	---	---	---	---	---	---	--	---	---	---	---	---	---	---	---	---	---	---

Item Code No. (ITC Code) 

N	O	T		A	P	P	L	I	C	A	B	L	E
---	---	---	--	---	---	---	---	---	---	---	---	---	---

Product Description 

C	O	M	P	U	T	E	R		S	E	R	V	I	C	E	S
---	---	---	---	---	---	---	---	--	---	---	---	---	---	---	---	---

**TERA SOFTWARE LIMITED**

**Regd. Office: 8-3-1113/2B, Kesavanagar, Srinagar Colony, Hyderabad-500 073**

Dear Shareholder,

Re: Payment of Dividend through Electronic Clearing Services (ECS)

In case you have not already sent the ECS particulars to the company or to your Depository Participant (in case of demat holdings), we would request you to provide the particulars in the format given below to facilitate prompt and safe payment of future dividend. If you maintain more than one bank account, payment can be received at any one of your existing accounts. Please ensure that the details submitted are correct, as any error therein could result in the dividend amount being credited to wrong account.

Kindly help us in our endeavor to serve you better.

Yours faithfully

For Tera Software Limited

Sd/-

(T. Gopi Chand)

V.C. & Managing Director

In case you are holding shares in demat form, please also advise your Depository Participant to take note of your ECS mandate.

**FORM FOR ELECTRONIC CLEARING SERVICE (ECS) FOR PAYMENT OF DIVIDEND**

Please fill-in information in **CAPITAL LETTERS** in English Only.

For Shares held in physical Form:

Folio No:

For Shares held in Demat Form :

DP ID:

Client ID:

Name of First / Sole Share holder .....

Bank Name: .....

Branch Address: .....

Branch Code:

(9 Digit MICR Code Number appearing on the Cheque supplied by the Bank)

Account

Saving

Current

Cash Credit

Please (/)

A/c.No. (As appearing:

In the Cheque Book)

I/We hereby declare that the particulars given above are correct and complete. If any transaction is delayed or not effected at all for reasons of incompleteness or incorrectness of information supplied above, the Company will not be held responsible.

I/We agree to inform the Company any change in my/our Bank/branch and account number.

Date:

Place:

(Signature of Shareholder)

(Please attach photocopy of a blank cheque of your bank, duly cancelled, for ensuring accuracy of the Bank's name, branch and 9 digit MICR Code)

**ATTENDANCE SLIP**

**TERA SOFTWARE LIMITED**

**Registered Office: #8-3-1113/2B, Kesava Nagar, Srinagar Colony, Hyderabad - 500 073.**

PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL.

Joint shareholders may obtain additional Attendance Slip at the Venue of the meeting

Client ID*:	Folio No.:
D.P ID* :	No. of Share(s) held:

NAME AND ADDRESS OF THE SHAREHOLDER.....

I hereby record my presence at the Thirteenth Annual General Meeting of the Company held on Friday, the 28th September, 2007 at 10.00 A.M at Jubilee Hills International Center, Road No 14, Jubilee Hills , Hyderabad-500 033.

Signature of the shareholder or proxy

\*Applicable for investors holding shares in electronic form.

Signature



**PROXY FORM**

**TERA SOFTWARE LIMITED**

**Registered Office: #8-3-1113/2B, Kesava Nagar, Srinagar Colony, Hyderabad - 500 073.**

Client ID*:	Folio No.:
D.P ID* :	No. of Share(s) held:

I/We.....

of .....being a member/members of Tera Software Limited hereby appoint ..... of..... or failing him.....of .....as my/our proxy to vote for me/us and on my/our behalf at the Thirteenth Annual General Meeting to be held on Friday, the 28th September, 2007 at 10.00 A.M. or at any adjournment thereof.

Signed this.....day of.....2007.

\*Applicable for investors holding shares in electronic form.

**Pl. affix  
30 paise  
Revenue  
Stamp**

Signature

**Note:**

1. The Proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting. The Proxy need not be a member of the Company.
2. Members holding shares under more than one folio may use photocopy of this Proxy Form for other folios. The Company shall provide additional forms on request.
3. No Gifts will be given on the date of AGM.