

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 : info@terasoftware.com
Url: www.terasoftware.com

AUDITORS:

M/s. NARVEN ASSOCIATES
Chartered Accountants
302 & 303, 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: 4004 0554

NOTICE

Notice is hereby given that the Fourteenth 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 Monday, the 29th day of September, 2008 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 2008, 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 Smt. T. Pavana Devi, who retires by rotation and being eligible offers herself for re-appointment.
4. To appoint a Director in place of Sri K. Rama Rao, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Sri D. Seetharamaiah, 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

Place : Hyderabad
Date : 27.08.2008

(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, 20th September 2008 to Monday, 29th September 2008 (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:

Serial Number	1	2	3
Name	Smt. T. Pavana Devi	Sri K. Rama Rao	Sri D. Seetharamaiah
Designation	Whole-time Director	Director	Chairman
Age & Date of Birth	46 Years (22.06.62)	60 Years (10.07.1947)	82 Years (22.04.1926)
Qualification	B.Com	B.Tech	Chartered Accountant
Date of Appointment	27.09.2004	27.09.2005	27.09.2005
Nature of expertise in specific functional areas	14 years of experience in Management Functions.	30 + Years Experience in IT industry and worked at all levels viz. PM, PL, Analyst Programmer and Programmer.	Senior Partner of Brahmayya & Co., a leading Chartered Accountants firm in A.P And ex director of APIDC, APSFC and ex chairman of TTD.
Remuneration	Rs.1,352,499/- For the year 07-08 (Salary+Commission)	Rs.70,000/- For the year 07-08 (Sitting Fees)	Rs.61,000/- For the year 07-08 (Sitting Fees)
No. of outside Directorships held	1	1	5
Chairman of the Committee of Board of Directors of the Company	NIL	NIL	(1) Remuneration Committee (2) Management Committee
Member of the Committee of Board of Directors of the Company	NIL	(1) Audit Committee (2) Shareholders' Grievance Committee (3) Remuneration Committee	(1) Audit Committee (2) Investment Committee
Chairman/member of the Committees of other Companies	NIL	NIL	4

By Order of the Board of Directors

Place: Hyderabad
Date: 27.08.2008

(T. Gopi Chand)
Vice Chairman and Managing Director

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Fourteenth Annual Report and the audited accounts of the company for the year ended 31st March 2008 together with Auditors' report thereon.

a) Financial Results:

(Rs. In Lakhs)

PARTICULARS	Year Ended 31.03.2008		Year Ended 31.03.2007	
Gross Income		5990.94		5833.57
Expenditure		3493.86		3557.03
Profit before interest, depreciation & tax		2497.08		2276.54
Less: Interest (Financial Cost)		240.96		169.91
Profit before depreciation & tax		2256.12		2106.63
Less: Depreciation		387.37		450.09
Profit before tax		1868.75		1656.54
Less : Provision for tax				
Current year	766.62		576.89	
Deferred tax	(78.71)		5.59	
Fringe Benefit tax	8.00	695.91	4.00	586.48
Profit after tax		1172.84		1070.06
Add: Balance brought forward from Previous Year	524.70		248.78	
Add/(Less): Excess provision of Taxation for Earlier years	-		-	
Add/(Less): Taxation for earlier years	(36.00)	488.70	(1.38)	247.41
Profit available for distribution		1661.54		1317.47
Less:				
Transferred to General Reserve	500.00		500.00	
Proposed Dividend @ 20% (Previous Year 20%)	250.24		250.24	
Tax on distributable profits	42.53	792.77	42.53	792.77
Balance Carried to Balance Sheet		868.77		524.70

b) 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.

c) Performance of the Company:

The Company achieved a turnover of Rs.5990.94 Lakh during the year and earned a net profit after tax of Rs.1172.84 Lakhs. During the year, the Company was successful in getting an order from the State Government of Andhra Pradesh to Computerize and digitization of few of the offices of Inspector General Registration and Stamps Department. The company executed the following orders in various states during the financial year under report.

KAVERI Project in Karnataka State: Scanning of documents and maintenance of database of registration department of Karnataka Government in 23 districts thereby changing the vision to CITIZEN-CENTRIC and re orient itself to serve the citizens of Karnataka with world-class quality service. The process involves digitizing and returning the documents immediately duly registered. This project was on a BOOT (Build Own Operate and Transfer) model and the scope of work is Providing IT infrastructure.

Kerala FAST Project in Kerala State: FULLY AUTOMATED SERVICES of TRANSPORT Department of Government of Kerala on BOMT (Build Own Maintain and Transfer) Model and the scope of work is Site preparation, Establishing 60 RTA offices with IT infrastructure.

MAHAVIKAS - Maharashtra Vikri Kar Seva Project in Maharashtra State (VAT Implementation of Maharashtra sales tax department) on BOOR (Build own operate and refresh) Model and the scope of work is Computerization of Sales Tax department in the entire state of Maharashtra.

Imparting computer education in 144 schools in Goa to the pupils of 6th to 10th classes. The Scope of work is to establish the Computer Labs with UPS, Providing the Teaching staff and Maintenance of Systems.

Imparting computer education in 84 schools in Andhra Pradesh to the pupils of 6th to 10th classes on BOOT (Build Own Operate and Transfer model). The scope of work is establishing the Computer Labs with Computers with infrastructure and Providing the Teaching staff and Maintenance of Systems.

Spot Billing and Revenue Management of Bangalore Electricity Supply Corporation of over 6 lakh consumers in 3 districts in Karnataka on BOO (BUILD OWN AND OPERATE) basis. The scope of work is maintenance of software, data Base, and generation of MIS reports.

Spot Billing for West Bengal State Electricity Board: The Scope of work is providing the Spot billing software and Equipment with field manpower to generate the periodic electricity bills.

The Company continues its focus on e-governance projects and was able to procure additionally six new projects of the State Government of Andhra Pradesh, Karnataka, Rajasthan, West Bengal and Himachal Pradesh during the last one year. The performance of the Company is improving and all the above projects are in various phases of implementation and will start generating revenues from the year 2008-09 onwards.

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 Hyderabad Securities And Enterprises Limited formally known as The Hyderabad Stock Exchange Limited and Bangalore Stock Exchange Limited. The listing fee was paid up to date.

e) Fixed Deposits:

The Company has accepted fixed deposits during the year to which the provisions of Section 58A of the Companies Act, 1956 apply. There are no overdue amounts of deposits including the interest thereon as at the end of the year.

f) Directors:

In accordance with the provisions of the Companies Act, 1956, and the Articles of Association of the Company, Smt.T. Pavana Devi, Whole time Director, Sri K Rama Rao, Director and Sri D. Seetharamaiah, Chairman, will be retiring at this annual general meeting and being eligible offer themselves for reappointment.

g) 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 made, would be in accordance with section 224 (1B) of the Companies Act 1956.

h) 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	49	01.09.1995	26	3,361,424	Electronics Corporation of India Limited
N V V Prasad	E.D.	B.Tech	48	01.12.1999	25	2,629,854	Taraka Prabhu Publishers Pvt. Ltd.

Tera Software Limited

i) 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 does trading of various kinds of computer items and does not use any energy. The electricity power consumption under LT is minimal. However, the Company installed power efficient transformers and UPS systems to save the power cost; hence 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	5,582,300	5,361,492
Total	5,582,300	5,361,492

2. Expenditure in Foreign Currency (CIF):

Particulars	Current Year (Rs.)	Previous Year (Rs.)
Import of Raw Material	Nil	Nil
Traveling Expenses	Nil	Nil
Expenses incurred at Overseas branch	Nil	Nil
Total	Nil	Nil

j) 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, 2008 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, 2008 on a going concern basis.

k) 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

Place: Hyderabad
Date: 27.08.2008

(T. Gopi Chand)
Vice Chairman and Managing Director

(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:

There are nine directors on the Board comprising a non-executive independent chairman, three whole time promoter directors, one non-executive promoter director, and four independent non-executive directors.

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

During the year the Board met six times on 18.04.2007, 31.07.2007, 31.08.2007, 28.09.2007, 31.10.2007 and 30.01.2008.

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	6	6	Yes	Nil	Nil	1	Nil
Sri N.V .V. Prasad	6	6	Yes	Nil	Nil	1	Nil
Smt. T. Pavana Devi	6	6	Yes	Nil	Nil	1	Nil
Sri T. Bapaiah Choudary	6	6	Yes	1	1	Nil	Nil
Sri K. Rama Rao	6	6	Yes	3	Nil	Nil	Nil
Sri D. Seetharamaiah	6	6	Yes	1	1	5	4
Sri R.S. Bakkannavar	6	5	Yes	Nil	1	1	Nil
Dr. T. Hanuman Chowdary	6	6	Yes	Nil	Nil	2	Nil
Dr. T.V. Lakshmi	6	6	Yes	2	Nil	1	Nil

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

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

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

3. Audit Committee:

- a. There was no change in the constitution of the Audit Committee. The members of the Committee are:
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, 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 thereon.
 8. Reviewing the findings of any internal investigations by the internal auditors into the matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
 9. Discussion with external auditors before the audit commences of nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.
 10. Reviewing the Company's financial and risk management policies.
 11. To look into the reasons for substantial defaults in the payment to the creditors.
 12. To consider and review any other matter as may be directed by the Board.

During the year, the Committee met 5 times on 14.04.2007, 31.07.2007, 30.08.2007, 31.10.2007 and 30.01.2008 respectively and all the members were present at all the meetings.

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 29.6.2007, 29.9.2007, 31.12.2007 and 31.3.2008 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 111. Outstanding complaints as on 31st March 2008 were nil.

5. Remuneration Committee:

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

- | | |
|---------------------------|----------|
| 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 31.07.2007 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)	3,361,424	2,544,228
Executive Director (Sri N.V.V.Prasad)	2,629,854	2,017,590
Whole Time Director (Smt. T.Pavana Devi)	1,352,499	1,107,635
Total	7,343,777	5,669,453

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The Company has paid the following sitting fee to the Directors of the Company during the year ended on 31st March 2008 vis a vis the previous financial year ended on 31st March 2007.

Particulars	Current Year (Rs.)	Previous Year (Rs.)
Sri D.Seetharamaiah	61,000	52,000
Sri R.S.Bakkannavar	53,000	41,500
Sri T.Bapaiah Choudary	45,000	42,000
Dr. T. Hanuman Chowdary	30,000	27,000
Dr. T.V.Lakshmi	45,000	42,000
Sri K.Rama Rao	70,000	61,000
Total	3,04,000	2,65,500

6. Investment Committee:

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

- 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 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 once on 25.12.2007. All the members were present at the meeting.

9. General Body Meetings:

Location and time for last 3 Annual General Meetings were:

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

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

Date	Type of meeting	Section	Brief particulars
NIL	NIL	NIL	NIL

10. Disclosures:**a. Significant related party transactions:**

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

b. There are no non-compliances, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to capital markets, during the year.**11. Means of Communication:**

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

12. Management Discussions and Analysis:**Cautionary Statement:**

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

Opportunities and Threats:

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

The increased volume of 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 and statutory auditors provide a means whereby any weakness is exposed and rectified.

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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 29th September, 2008 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 20th September 2008 to 29th September 2008 (both days inclusive) for the purpose of the Annual General Meeting.

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

i. Hyderabad Securities And Enterprises Limited formally known as 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 2008 - 2009 has been paid to Hyderabad Securities And Enterprises Limited formally known as 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 Securities And Enterprises Limited formally known as Hyderabad Stock Exchange Limited TERA # (fully paid up) and TERAPP# (partly paid up)

Bangalore Stock Exchange Limited TASL

The Stock Exchange, Mumbai 590020

f. Stock Market Data:

Month	Mumbai Stock Exchange	
	Month's High Price	Month's Low Price
April 2007	82.95	62.80
May 2007	99.00	75.25
June 2007	96.20	77.95
July 2007	96.00	76.15
August 2007	87.20	71.75
September 2007	96.00	76.15
October 2007	94.00	67.70
November 2007	92.00	75.50
December 2007	108.00	78.00
January 2008	119.90	58.65
February 2008	73.00	53.00
March 2008	61.65	39.00

The equity shares of the Company were not traded on the Hyderabad Securities And Enterprises Limited formally known as Hyderabad Stock Exchange Limited and Bangalore Stock Exchange Limited 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 1,23,29,172 shares of the Company are in electronic form as on 31.3.2008.

i. As of March 31, 2008 the distribution of our shareholding was as follows:

S.No	Category	No. of Shareholders	Total Shares	% to Total
A.	Shareholding of Promoter & Promoter Group:			
1.	Indian			
A.	Individuals/HUF	17	4,459,905	35.65
2.	Foreign	Nil	Nil	NIL
B.	Public Shareholding:			
1.	Institutions			
A.	Foreign Institutional Investors	4	824,060	6.59
2.	Non-Institutions:			
A.	Bodies Corporate	245	901,287	7.20
B.	Individuals			
1.	Individual Shareholders holding nominal share capital up to Rs.1 Lakh.	6,589	3,053,471	24.40
2.	Individual Shareholders holding nominal share capital in excess of Rs.1 Lakh.	91	2,977,259	23.80
C.	Any Other (Specify) NRI/OCB	99	295,893	2.36
C.	Shares held by Custodians etc.	Nil	Nil	Nil
	TOTAL	7,045	12,511,875	100.00

j. Outstanding of issued dividend amounts:

The Company has been paying dividend regularly from the financial year 2002-2003. The outstanding amount of unclaimed dividend lying in Unpaid Dividend account year wise as on 31.03.2008 are as follows:

Financial Year	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Outstanding Dividend Amount in Rs.	79,806	159,239	226,247	412,522	597,162

k. Locations of our software development center:

1st Floor, 8-3-1113/2B, Kesava Nagar,
Srinagar Colony, Hyderabad - 500 073

l. 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

Place : Hyderabad
Date : 27-08-2008

(T. Gopi Chand)
Vice Chairman and Managing Director

(N.V.V.Prasad)
Executive Director

Tera Software Limited

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

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of Tera Software Limited,

We have examined the compliance of conditions of Corporate Governance by Tera Software Limited (the Company), for the year ended on 31st March 2008, 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 : 27.08.2008

(CA 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 2008 compliance with the code of conduct of the Company laid down for them.

Place:Hyderabad
Date:27.08.2008

(T.GopiChand)
Vice Chairman and Managing Director

Tera Software Limited

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 2008 and that to the best of our knowledge and belief;
 - i. these statements do not contain any materially untrue statement nor omit any material fact not contain statements that might be misleading, and
 - ii. these statements present a true view of the Company's affair and are in compliance with the existing accounting standards, applicable laws and regulations.
2. That there are, to the best of our knowledge and belief, no transactions entered into by the Company during the year, which are fraudulent, illegal or violative of the Company's code of conduct;
3. That we accept responsibility for establishing and maintaining internal controls, we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the audit committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps that we have taken or propose to take to rectify the identified deficiencies and
4. That we have informed the auditors and the audit committee of:
 - i. Significant changes in internal controls during the year;
 - ii. Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii. Instances of Significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system.

Place: Hyderabad
Date: 27.08.2008

(T.Gopi Chand)
Vice Chairman and Managing Director

(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, 2008 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, 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2008 from being appointed as a director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required 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, 2008;
 - (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

Place: Hyderabad
Date: 27.08.2008

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

- (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 lakh) 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, service tax, wealth-tax, cess and other statutory dues applicable to it and no undisputed amounts payable were outstanding as at 31st March, 2008 for a period of more than six months from the date they became payable. As explained to us, the 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;

Sl. No.	Name of the statute	Nature of the dues	Amount (Rs.)	Period which the amount relates	Forum where dispute is pending
1	A.P. VAT Act, 2005	Value Added Tax	6,094,801	2006-07	Commercial Tax Officer, Hyderabad
2	A.P. VAT Act, 2005	Value Added Tax	971,051	2005-06	Commercial Tax Officer, Hyderabad
3	A.P. VAT Act, 2005	Value Added Tax	2,821,020	2005-06	High Court
4	A.P. GST Act, 1957	Sales Tax	2,860,507	2004-05	High Court
5	A.P. GST Act, 1957	Sales Tax	3,580,063	2003-04	High Court
6	A.P. GST Act, 1957	Sales Tax	1,430,253	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) Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the company has not defaulted in repayment of dues to financial institutions, banks and debenture holders.
- (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 not made any preferential allotment of shares to parties and companies covered in the Register Maintained under Section 301 of the Companies Act, 1956 during the year, other than fully convertible warrants issued in the previous year were converted into 42,500 equity shares of Rs. 10/- each to 2 parties covered in the Register maintained under Section 301 of the Companies Act, 1956 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

(CA D.C. Naidu)
Partner

Membership No: 24643

Place: Hyderabad
Date: 27.08.2008

BALANCE SHEET AS AT 31.03.2008

	Schedule	Rs.	As At 31st March 2008 Rs.	Rs.	As At 31st March 2007 Rs.
I. SOURCES OF FUNDS					
A. SHAREHOLDERS' FUNDS					
Share Capital	1	125,118,750		121,278,750	
Reserves & Surplus	2	<u>299,453,838</u>	424,572,588	<u>163,446,711</u>	284,725,461
B. LOAN FUNDS					
Secured Loans	3	154,188,191		217,573,264	
Unsecured Loans	4	<u>70,780,000</u>	224,968,191	<u>1,580,000</u>	219,153,264
C. Deferred Tax Liability(net)			10,835,247		18,706,213
TOTAL			660,376,026		522,584,938
II. APPLICATION OF FUNDS					
A. FIXED ASSETS					
Gross Block	5	264,130,574		301,551,175	
Less : Depreciation		<u>123,576,767</u>		<u>146,617,655</u>	
Net Block		140,553,807		154,933,520	
Add : Capital work in progress		<u>1,014,862</u>	141,568,669	<u>2,094,333</u>	157,027,853
B. CURRENT ASSETS, LOANS & ADVANCES					
Inventories	6	1,441,555		557,436	
Sundry Debtors	7	575,296,379		368,119,909	
Cash & Bank Balances	8	57,510,581		30,507,365	
Loans & Advances	9	146,985,452		118,324,704	
		<u>781,233,967</u>		<u>517,509,414</u>	
Less : Current Liabilities & Provisions					
Current Liabilities	10	143,058,994		99,610,126	
Provisions	11	119,367,616		52,342,203	
		<u>262,426,610</u>		<u>151,952,329</u>	
NET CURRENT ASSETS			518,807,357		365,557,085
TOTAL			660,376,026		522,584,938
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS					
	18				

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

For and on behalf of the board of directors

(CA D.C.NAIDU)
Partner
Membership No:24643

(T.GOPI CHAND)
Vice Chariman & Managing Director

(N.V.V.PRASAD)
Executive Director

Place: Hyderabad.
Date: 27th August,2008

(B.D.NAIDU)
General Manager (Finance)

PROFIT and LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008

	SCHEDULE	For the year ended 31st March 2008		For the year ended 31st March 2007	
		Rs.	Rs.	Rs.	Rs.
I. INCOME :					
Gross Sales & Services	12	594,070,199		579,043,751	
Other Income	13	5,023,434		4,313,653	
Total		599,093,633		583,357,404	
II. EXPENDITURE :					
Cost Of Goods Sold	14	141,300,955		121,430,822	
Personnel Cost	15	26,855,883		22,275,190	
Operating and other expenses	16	184,871,529		211,986,801	
Financial Cost	17	24,095,744		16,990,584	
Depreciation & Amortization		38,736,884		45,008,833	
Prior Period Adjustments		(3,642,097)		10,706	
Total		412,218,898		417,702,936	
Profit before Tax		186,874,735		165,654,468	
Less :					
- Provision for tax (including provision for wealth tax Rs.11,200, Previous Year Rs.11,200)		76,662,125		57,689,073	
-Fringe Benefit Tax		800,000		400,000	
- Deferred tax(net)		(7,870,967)	69,591,158	558,998	58,648,071
Profit after Tax		117,283,577		107,006,397	
Add: Balance brought forward from previous year		52,470,461		24,878,419	
Add/(Less): Taxation for Earlier Year		(3,599,914)	48,870,547	(137,819)	24,740,600
Profit available for appropriations		166,154,124		131,746,997	
Less: Appropriations					
Transferred to General Reserve		50,000,000		50,000,000	
Proposed Dividend on Equity Shares		25,023,750		25,023,750	
Tax on distributed profit		4,252,786		4,252,786	
			79,276,536		79,276,536
Balance Carried to Balance Sheet		86,877,588		52,470,461	
Earnings per share					
-Basic			9.09		9.12
-Diluted			9.09		9.08
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	18				

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

For and on behalf of the board of directors

(CA D.C.NAIDU)
Partner
Membership No:24643

(T.GOPI CHAND)
Vice Chariman & Managing Director

(N.V.V.PRASAD)
Executive Director

Place: Hyderabad.
Date: 27th August, 2008

(B.D.NAIDU)
General Manager (Finance)

Tera Software Limited

Cash Flow Statement Annexed to the Balance Sheet For the Year ended 31st March 2008

	Rs.	Current Year 31st Mar' 2008 Rs.	Rs.	Previous Year 31st Mar' 2007 Rs.
A. Cash flow from Operating Activities :				
Net Profit Before Tax as per Profit & Loss A/c.		186,874,735		165,654,468
Adjustments for :				
Depreciation & Amortization	38,736,884		45,008,833	
Loss on Sale of Fixed Assets	-		608,429	
Profit on Sale of Fixed Assets	(7,176)		-	
Prior Period Adjustments	(3,642,097)		10,706	
Interest Income	(1,686,373)		(1,496,801)	
Interest Expenses	18,604,068		14,368,395	
		<u>52,005,306</u>		<u>58,499,562</u>
Operating Profit before working capital changes		238,880,041		224,154,030
Adjustments for :				
Inventories	(884,119)		93,470,632	
Sundry debtors	(207,176,470)		(167,444,935)	
Loans and advances	(27,504,932)		(100,642,684)	
Current Liabilities and Provisions	69,783,418		49,666,514	
		<u>(165,782,103)</u>		<u>(124,950,473)</u>
Cash Generated from Operations		73,097,938		99,203,557
Prior Period Adjustments		3,642,097		(10,706)
Taxes Paid		(34,681,926)		(48,496,386)
Net Cash from Operating Activities		42,058,109		50,696,465
B. Cash flow from Investing Activities:				
Purchase of Fixed Assets & Advances paid		(29,647,635)		(77,840,505)
Sale of Fixed Assets		207,734		-
Interest Income		530,557		1,356,574
Net Cash Generated from Investing Activities		(28,909,344)		(76,483,931)
C. Cash flow from Financing Activities:				
Proceeds from Issue of share capital (net)		55,438,980		6,206,525
Proceeds from Long term funds		70,000,000		63,371,918
Repayment of Long term loans		(75,787,448)		(12,838,483)
Short term loans (net)		11,602,375		13,946,418
Interest Paid		(18,686,285)		(14,259,700)
Dividend Paid		(28,713,171)		(20,592,089)
Net Cash Generated from Financing Activities		13,854,451		35,834,589
Net Increase/(Decrease) in Cash and Cash Equivalents		27,003,216		10,047,123
Opening Balance of Cash and Cash Equivalents		30,507,365		20,460,242
Closing Balance of Cash and Cash Equivalents		57,510,581		30,507,365

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

For and on behalf of the board of directors

(CA D.C.NAIDU)
Partner
Membership No:24643

(T.GOPI CHAND)
Vice Chariman & Managing Director

(N.V.V.PRASAD)
Executive Director

Place: Hyderabad.
Date: 27th August, 2008

(B.D.NAIDU)
General Manager (Finance)

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As At 31st March' 2008 Rs.	As At 31st March' 2007 Rs.
1. Share Capital		
Authorised		
150,00,000 Equity Shares of Rs.10/- each	150,000,000	150,000,000
a. Issued, Subscribed and Paid up		
1,25,11,875 Equity Shares of Rs.10/- each (Previous year 115,11,875 Equity Shares of Rs. 10/- each) (25,02,375 (Previous Year 23,02,375) Equity Shares are allotted as fully paid up bonus Shares by capitalisation of General Reserve) (of the above, 1,68,090 Equity Shares have been allotted other wise than by cash)	125,118,750	115,118,750
b. Warrants Convertible To Equity Shares	-	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.		
Total (a+b)	125,118,750	121,278,750
2. Reserves & Surplus		
i) Reserves :		
Securities Premium Account		
Opening Balance	31,500,000	31,500,000
Add : Additions during the year	53,600,000	-
Total(a)	85,100,000	31,500,000
General Reserve		
Opening Balance	79,476,250	52,500,000
(Less): Capitalized for issue of bonus shares	(2,000,000)	(23,023,750)
	77,476,250	29,476,250
Add: Transfer From Profit & Loss Account	50,000,000	50,000,000
Total(b)	127,476,250	79,476,250
ii) Surplus in Profit & Loss Account :		
Profit & Loss Account	86,877,588	52,470,461
Total(c)	86,877,588	52,470,461
Total(a)+(b)+(c)	299,453,838	163,446,711
3. Secured Loans:		
I. Term Loans :		
a. From Banks		
-Syndicate Bank	-	11,337,576
-Bank of Maharashtra	95,572,779	158,565,149
(Term loan 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	893,070	1,321,793
-ICICI Bank Limited	407,396	636,175
(Secured by specific charge on vehicles for which the loan is availed)		
II. Working Capital Loans from Banks :		
- Bank of Maharashtra (Refer Note 1 (a) of Notes on Accounts)	57,314,946	45,712,571
Total	154,188,191	217,573,264
4. Unsecured Loans		
Public Deposits from Shareholders & Others	70,780,000	1,580,000
Total	70,780,000	1,580,000

(Amount in Rupees)

SCHEDULE 5 : FIXED ASSETS

Particulars	GROSS BLOCK			DEPRECIATION/AMORTISATION			NETBLOCK	
	As at 31st March '2007	Additions	Adjustments/ (Deductions)	As at 31st March '2007	During the year	(Deductions)	As at 31st March '2008	As at 31st March '2007
Land	11,684,075	-	-	-	-	-	11,684,075	11,684,075
Buildings	22,452,750	1,305,221	-	568,709	365,980	-	22,823,282	21,884,041
Office Equipment	692,883	1,767,461	-	212,251	135,192	-	2,112,901	480,632
Computers & Servers	60,662,781	14,170,853	-	16,698,663	8,096,580	-	50,038,391	43,964,118
Electrical Equipment	10,330,352	-	26,963	372,344	1,267,239	-	8,663,806	9,958,008
Furniture & Fixtures	9,109,456	5,881,897	-	709,216	626,455	-	13,655,682	8,400,240
Capital Expenditure on Projects Division *	181,724,524	1,432,297	61,208,983	126,749,777	27,800,607	61,205,082	28,602,536	54,974,747
Vehicles	4,894,354	-	742,384	1,306,695	444,831	572,690	2,973,134	3,587,659
Total	301,551,175	24,557,729	61,978,330	146,617,655	38,736,884	61,777,772	140,553,807	154,933,520
Previous Year	255,866,649	48,071,897	2,387,371	103,387,764	45,008,833	1,778,942	154,933,520	152,478,885
Capital work in progress							1,014,862	2,094,333

Note:

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

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As At 31st March' 2008 Rs.	As At 31st March' 2007 Rs
6. Inventories (As taken, valued and certified by management)		
Raw Material	1,441,555	557,436
Finished Goods/Trading Goods	-	-
Total	1,441,555	557,436
7. Sundry Debtors (Unsecured) Over Six Months		
Considered Good	318,874,298	52,325,360
Others		
Considered Good (Includes unbilled work of Rs.184.18 Lakhs, Previous year Rs.426.67 Lakhs)	256,422,081	315,794,549
Total	575,296,379	368,119,909
8. Cash & Bank Balances		
Cash	447,463	364,353
Cheques On Hand	36,161,580	-
Balances with Scheduled Banks in Current Accounts*	2,161,852	10,380,517
in Current Accounts in Foreign Currency	43,247	74,088
in Deposit Accounts	18,696,439	19,688,407
Total	57,510,581	30,507,365
* Includes Rs. 79,806 (Previous Year Rs.80,831) being balance in Unpaid Dividend Account with ICICI Bank Limited and Rs.1,395,170 (Previous Year Rs.830,780) with HDFC Bank Ltd.		
9. Loans & Advances (Unsecured) Considered good		
Accrued Interest	1,642,267	486,451
Deposits	11,700,106	9,732,683
Advances recoverable in cash or in kind or for value to be received	133,643,079	108,105,570
Total	146,985,452	118,324,704
10. Current Liabilities		
Interest accrued but not due on loans	204,462	286,679
Sundry Creditors for trading goods	23,356,022	2,029,279
for Capital Goods	739,958	6,909,335
for other liabilities and expenses	117,283,576	89,207,002
Unclaimed excess share allotment money (\$)	-	1,020
Unclaimed Dividend (\$)	1,474,976	911,611
Advances from customers	-	265,200
((\$ Unclaimed Dividend/Excess Share Allotment Money Received do not include any amounts, due and outstanding, to be credited to Investor Education and Protection Fund.		
Total	143,058,994	99,610,126

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As At 31st March' 2008 Rs.	As At 31st March' 2007 Rs.
11. Provisions		
Proposed Dividend	25,023,750	25,023,750
Tax on Distributed Profit	4,252,786	4,252,786
Provision for Tax (net of advance Tax)	68,261,158	21,881,045
Provision for Gratuity	2,362,764	1,184,622
Provision for under performance of service level deliverables	19,467,158	-
Total	119,367,616	52,342,203

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

	31st March 2008 Rs.	31st March 2007 Rs.
12. Gross Sales and Services		
Sale of Goods(net of returns)	141,350,206	6,983,620
Income from Projects & Services	452,719,993	572,060,131
Total	594,070,199	579,043,751
13. Other Income		
Insurance Claim Recovered	6,940	8,515
Interest Income	1,686,373	1,496,801
(TDS Rs.84,106/- Previous Year Rs.287,858/-)		
Discount and Other Incentives Received	127,008	247,961
Advances Written Off Recovered	500,000	-
Sundry Credit Balances & Excess Provision Written Back(net)	2,695,937	2,153,151
Miscellaneous Income *	7,176	407,225
(*includes Rs.7,176/- profit on sale of fixed assets)		
Total	5,023,434	4,313,653
14. Cost Of Goods Sold		
(a) Raw Material, Components consumed and Purchase of Trading Goods		
Opening stock	557,436	46,040
Add: Purchases (net of returns)	140,446,091	5,448,224
	141,003,527	5,494,264
(Less): Closing stock	1,441,555	557,436
Total (a)	139,561,972	4,936,828
(b) (Increase)/Decrease in Finished Goods		
Opening stock	-	2,190,564
Less: Closing stock	-	-
Total (b)	-	2,190,564
Total (a+b)	139,561,972	7,127,392
Add: Capital Assets Transferred to Stock In Trade	1,738,983	114,303,430
Total(a+b)	141,300,955	121,430,822

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

	31st March 2008 Rs.	31st March 2007 Rs.
15. Personnel Cost		
Salaries, wages, Bonus and other benefits	21,778,371	17,931,701
Commission to whole time directors	3,715,697	3,166,373
Contribution to Provident Fund, ESI etc.	1,169,898	1,084,657
Staff Welfare	191,917	92,459
Total	26,855,883	22,275,190
16. Operating and Other Expenses		
Advertisement & Sales Promotion	412,498	191,178
Consultancy, Job Work & Other Charges	99,093,755	146,027,167
Consumables	20,322,336	25,943,492
Electricity Charges	10,411,061	2,577,155
Insurance	430,202	397,864
Loss on sale of Fixed Assets	-	608,429
General Expenses	5,867,555	4,294,689
Communication	5,787,401	7,201,043
Courier & Postage	1,737,800	10,874,920
Printing & Stationery	212,768	339,072
Rates & Taxes	1,916,150	1,381,112
Remuneration to Auditors	350,000	350,000
Rent	1,966,690	1,738,300
Repairs & Maintenance - Others	5,634,552	3,617,473
Unrecoverable Interest	182,000	-
Bad Debts written off	3,806,063	42,781
Advances Written Off	325,544	-
Provision for under performance of service level deliverables	19,467,158	-
Sitting fees	304,000	265,500
Travelling & Conveyance	6,643,996	6,136,626
Total	184,871,529	211,986,801
17. Financial Cost		
Interest on Fixed Loans	18,604,068	14,368,395
Interest on Working Capital & Others	5,491,676	2,622,189
Total	24,095,744	16,990,584

18. 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 Accountants 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 March'2008.
- 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. Provisions for deductions towards under performance of service level deliverable on services are estimated by the management, determined on the basis of past experience.

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. 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.

8. Benefits to employees:

- i. Short-Term employee benefits are recognized as an expense at the undiscounted amount in the Profit and Loss Account of the year in which the related services are rendered.
- ii. Post employment benefits are recognized as an expense in the Profit and Loss Account for the year in which the employee has rendered services. The expense is recognized at the present value of the amount payable to the amount payable towards contributions. The present value is determined using the market yields of government bonds, at the Balance Sheet date, as the discounting rate.
- iii. Other long-term/short-term employee benefits are recognized as an expense in the Profit and Loss Account for the period in which the employee has rendered services. Estimated liability on account of long-term benefits is discounted to the current value, using the yield on government bonds, as on the date of balance sheet, as the discounting rate.
- iv. Actuarial gains and losses in respect of post employment and other long-term benefits are charged to the Profit and Loss Account.

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v. Provident Fund:

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

9. 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.

10. 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.

11. Provisions, 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 or resources. Contingent Liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statement.

12. 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.

13. Claims Receivable:

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

14. 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.

15. 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.

16. 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.

17. 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.186.96 Lakh (previous year Rs. 200.31 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	717,506	85,907
Later than over year and not later than five years	582,960	41,016
Total	1,300,466	126,923

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.5 lakh as at March 31, 2008 (Previous year Rs. 55 lakh).
- b. The company has outstanding guarantees of Rs.967.22 Lakh as at 31st March 2008 (previous year Rs. 581.82 Lakh).

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- c. Sales tax matters under dispute as per table below:

Sl. No.	Name of the statute	Nature of the dues	Amount (Rs.)	Period which the amount relates	Forum where dispute is pending
1	A.P. VAT Act, 2005	Value Added Tax	6,094,801	2006-07	Commercial Tax Officer, Hyderabad
2	A.P. VAT Act, 2005	Value Added Tax	971,051	2005-06	Commercial Tax Officer, Hyderabad
3	A.P. VAT Act, 2005	Value Added Tax	2,821,020	2005-06	High Court
4	A.P. GST Act, 1957	Sales Tax	2,860,507	2004-05	High Court
5	A.P. GST Act, 1957	Sales Tax	3,580,063	2003-04	High Court
6	A.P. GST Act, 1957	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. Employee Benefits:

The Company has adopted Accounting Standard (AS) 15 (revised 2005) on Employee Benefits. Consequent to the clarification issued by the ASB of ICAI for implementing AS15, the liability in respect of some of the benefits have been reworked as on 31st March'2008.

- a. The Company has recognized, in the Profit and Loss Account for the year ended 31st March'2008, below mentioned defined contribution plans.

Description	2007-08(Amount in Rs)
Provident Fund	804,364
Employee State Insurance	365,534
Total	1,169,898

- b. Encashment of Leave Salary which is a Short Term defined benefit Rs.23,207 payable was debited to Profit and Loss Account.

- c. Following are the details of unfunded post retirement gratuity under defined benefit obligations are as follows:

Sl. No.	Description	2007-08 (Amount in Rs)
1.	Reconciliation of opening and closing balances of obligation	
	a. Obligation as at the beginning of the year	1,184,622
	b. Current Service Cost	22,830
	c. Interest Cost	94,770
	d. Actuarial (Gain)/Loss	1,060,542
	e. Benefits Paid	-
	f. Obligation as at the end of the year	2,362,764
2.	Expense recognized in the period	
	a. Current Service Cost	22,830
	b. Interest Cost	94,770
	c. Actuarial(Gain)/Loss	1,060,542
	d. Expense recognized during the year	1,178,142
3.	Assumptions	%
	a. Discount Rate (per annum) as at the end of the year	8
	b. Salary Rise	4
	c. Attrition Rate	1

5. Managerial Remunerations:

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

	Current Year (Rs)	Previous Year (Rs)
Salaries & Allowances	3,600,000	2,822,596
Contribution to Provident	28,080	28,080
Commission	3,715,697	3,166,373
Director's Sitting Fee	304,000	265,500
Total	7,647,777	6,282,549

6. During the financial year 800,000 warrants were converted into Equity Shares of Rs. 10/- each on 18th April'2007.
7. In the opinion of the management, 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.
8. Computation of Net Profit in accordance with section 309(5) of the Companies Act'1956.

Particulars	Rs.	Year ended	Rs.	Year ended
		March 31, 2008		March 31, 2007
Profit before Tax		186,874,735		165,654,468
Add:				
1. Wholetime directors remuneration	3,628,080		2,850,676	
2. Directors sitting fee	304,000		265,500	
3. Commission to wholetime directors	3,715,697		3,166,373	
4. Depreciaion as per books of accounts	38,736,884		45,008,833	
5. Loss on Sale of Fixed Assets	-	46,384,661	608,429	51,899,811
		233,259,396		217,554,279
Less:				
1. Depreciaiton as envisaged under section 350 of the Companies Act	47,467,361		59,235,625	
2. Profit on Sale of Fixed Assets	7,176		-	
		47,474,537		59,235,625
Net Profit on which commission is payable		185,784,859		158,318,654
Maximum permissible commission as per the companies Act 2%		3,715,697		3,166,373
Commission Payable to :				
a) Managing Director		1,672,064		1,424,868
b) Executive Director		1,300,494		1,108,231
c) Whole Time Director		743,139		633,274

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9. a. Earnings in Foreign Currency (FOB):

Particulars	Current Year (Rs.)	Previous Year (Rs.)
Software Development /Services(including unbilled)	5,582,300	5,361,492
Total	5,582,300	5,361,492

b. Expenditure in Foreign Currency- Nil (Previous Year Nil)

10. Remuneration to Statutory Auditors:

Particulars	Current Year (Rs.)	Previous Year (Rs.)
Statutory Audit fee	200,000	200,000
Tax Audit fee	60,000	60,000
Limited Review Fee	40,000	40,000
Taxation Matters	40,000	40,000
Certification Fee & Others	10,000	10,000
Total	350,000	350,000

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 set out 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, 2008 and 2007

(all figures in Rs.)

	Integrated Solutions	Technical Division	Projects Division	Others	Unallocable	Total
Revenues	141,350,206	32,520,545	414,617,148	5,582,300	-	594,070,199
	<i>6,976,025</i>	<i>99,837,192</i>	<i>466,861,447</i>	<i>5,369,087</i>	-	<i>579,043,751</i>
Identified operating expenses	137,676,619	17,778,979	139,101,417	2,844,093	-	297,401,108
	<i>6,599,679</i>	<i>68,150,504</i>	<i>233,626,372</i>	<i>2,985,000</i>	-	<i>311,361,555</i>
Allocated Expenses	18,516	2,517,150	56,251,076	75,426	-	58,862,168
	<i>166,418</i>	<i>8,993,100</i>	<i>58,230,130</i>	<i>122,169</i>	-	<i>67,511,817</i>
Segmental operating income	3,655,071	12,224,416	219,264,655	2,662,781	-	237,806,923
	<i>209,928</i>	<i>22,693,588</i>	<i>175,004,945</i>	<i>2,261,918</i>	-	<i>200,170,379</i>
Unallocable expenses					31,859,878	31,859,878
					<i>21,431,754</i>	<i>21,431,754</i>
Operating income						205,947,045
						<i>178,738,625</i>
Other income/(expenses), net					3,337,061	3,337,061
					<i>2,409,626</i>	<i>2,409,626</i>
Net profit before Interest						209,284,106
						<i>181,148,251</i>
(Less): Interest Expenses					(24,095,744)	(24,095,744)
					<i>(16,990,584)</i>	<i>(16,990,584)</i>
Add: Interest Income					1,686,373	1,686,373
					<i>1,496,801</i>	<i>1,496,801</i>
Net profit before taxes						186,874,735
						<i>165,654,468</i>
Income Taxes (including FBT 800,000)						(69,591,158)
						<i>(58,648,071)</i>
Net Profit after taxes						117,283,577
						<i>107,006,397</i>
Other Information						
Segment Assets	96,460,978	73,750,901	615,918,456	1,241,401	135,430,900	922,802,636
	<i>4,388,886</i>	<i>83,044,656</i>	<i>503,228,308</i>	<i>1,674,782</i>	<i>82,200,635</i>	<i>674,537,267</i>
Segment Liabilities	23,109,783	49,116,616	47,860,168	-	142,340,043	262,426,610
	<i>3,058,057</i>	<i>39,595,240</i>	<i>23,930,999</i>	-	<i>85,368,033</i>	<i>151,952,329</i>
Capital Expenditure	-	20,052,750	1,432,297	-	3,072,682	24,557,729
	-	<i>46,333,765</i>	<i>1,599,051</i>	-	<i>139,081</i>	<i>48,071,897</i>
Depreciation	-	210,631	27,800,607	12,681	10,712,965	38,736,884
	-	<i>1,055,661</i>	<i>36,181,775</i>	<i>120,394</i>	<i>7,651,003</i>	<i>45,008,833</i>

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

a) 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.55.82 (lakhs)(Previous year Rs. 53.61 lakhs).

12. Related Party Transactions:

a) Name of Related Parties & relationship:

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

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b) Transactions with related parties:

Name of the related party	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.T.Tulasi Rani	Mr.T.Bapaiah Chowdary-Director
Description of the Relationship between the parties	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	Brother to the director
Description of the nature of transactions	a) Receiving of Services b) Commission on Profits c) Receipt of Application amount on Warrants	a) Receiving of Services. b) 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.	Sitting Fee
Volume of the transactions either as an amount or as appropriate proportion	a) Managerial Remuneration of Rs. 1,680,000 b) Commission of Rs.1,672,064	a) Managerial Remuneration of Rs. 600,000 b) Commission of Rs.743,139	a) Managerial Remuneration of Rs. 1,320,000 b) Commission of Rs.1,300,494	a) Interest paid on Deposits Rs.21,876	a) Interest paid on Deposits Rs.8,764	a) Interest Paid on Deposit Rs.52,664	a) Sitting Fee Paid Rs.45,000
Any other elements of the related party transactions	Managerial Remuneration, & 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	NIL
The amounts or appropriate proportions of outstanding items pertaining to related parties at the Balance Sheet date	a) Managerial Remuneration Payable Rs. 476,373 b) Commission payable Rs.2,612,619	a) Managerial Remuneration Payable Rs. 245,692 b) Commission payable Rs. 1,161,163	a) Managerial Remuneration Payable Rs. 63,820 b) Commission payable Rs. 2,032,037	a) Interest Payable Rs.700 b) Fixed Deposit payable Rs.200,000	a) Interest Payable Rs.21,599 b) Fixed Deposit Payable Rs.80,000	a) Interest Payable Rs.112,493 b) Fixed Deposit Payable Rs.500,000	NIL
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	NIL	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.

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'2008 comprise of the following:

	Rs. In lakhs As At 31st March'2008		Rs. In lakhs As At 31st March'2007	
	Deferred Tax Liability Related to fixed assets		182.60	
Deferred Tax Assets Disallowance under the Income Tax Act'1961	(74.25)	(74.25)	(18.63)	(18.63)
Provision for deferred tax (net)		108.35		187.06

15. Prior period items, material items, non-recurring and extraordinary items are disclosed separately. Prior period Adjustments include prior period income Rs.3,891,175 and prior period expenses Rs.249,078. (Previous year prior period income Rs. 104,048 and prior period expenses Rs. 114,754)
16. There were no overdue amounts exceeding Rs.100,000/- each, which are outstanding for more than 30 days payable to Micro, Small and Medium Enterprises Undertaking as at March 31, 2008.
17. Earnings per Share.

	Current Year	Previous Year
a) Net Profit as per Profit and Loss Account(Rs)	117,283,577	107,006,397
b) (Less): Taxation for earlier year(Rs)	(3,599,914)	(137,819)
c) Profit available for equity share holders(Rs)	113,683,663	106,868,578
d) Weighted average number of Equity Shares outstanding during the year	12,511,875	11,711,875
e) Potential Equity Shares on conversion of warrants	-	60,000
f) Weighted Average number of equity shares in computing diluted earnings per share	12,511,875	11,771,875
g) Face Value of each Equity Shares(Rs)	10	10
h) Earnings per share		
-Basic(Rs)	9.09	9.12
-Diluted (Rs)	9.09	9.08

18. Paise have been rounded off to the nearest rupee.
19. Figures for the corresponding year ended March 31, 2007, 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

For and on behalf of the board of directors

(CA D.C.NAIDU)
Partner
Membership No:24643

(T.GOPI CHAND)
Vice Chairman & Managing Director

(N.V.V.PRASAD)
Executive Director

Place: Hyderabad
Date : 27th August 2008

(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	8
---	---	--	---	---	--	---	---	---	---

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	0	0	0
--	--	--	---	---	---	---

 Private Placement

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

 Issue of Preferential Warrants
 Conversion of Equity Shares

	8	0	0	0
--	---	---	---	---

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

Total Liabilities

	6	6	0	3	7	6
--	---	---	---	---	---	---

 Total Assets

	6	6	0	3	7	6
--	---	---	---	---	---	---

Sources of Funds:
 Paid-up Capital

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

 Reserves & Surplus

	2	9	9	4	5	4
--	---	---	---	---	---	---

 Coveritable Warrants

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

 Loan Funds

	2	2	4	9	6	8
--	---	---	---	---	---	---

 Deferred Tax

			1	0	8	3	5
--	--	--	---	---	---	---	---

Application of Funds:
 Net Fixed Assets

	1	4	1	5	6	9
--	---	---	---	---	---	---

 Investments

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

 Net Current Assets

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

 Misc.Expenditure

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

 Accumulated Losses

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

IV Performance of Company (Amount in Rs.Thousands)

Total Turnover

	5	9	9	0	9	4
--	---	---	---	---	---	---

 Total Expenditure

	4	1	2	2	1	9
--	---	---	---	---	---	---

 Pofit Before Tax

	1	8	6	8	7	5
--	---	---	---	---	---	---

 Profit After Tax

	1	1	7	2	8	4
--	---	---	---	---	---	---

 Earning Per Share (Rs.)

	9	.	0	9
--	---	---	---	---

 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

To,
M/s Sathguru Management Consultants Private Limited
(Unit : Tera Software Limited)
Plot No.15, Hindi Nagar, Panjagutta, Hyderabad - 500 034

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 Shareholder

Bank Name:

Branch Address:

Branch Code: [Grid of 9 boxes]

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

Account Please (_/) [Saving] [Current] [Cash Credit]

A/c.No. (As appearing: In the Cheque Book) [Grid of 15 boxes]

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 Fourteenth Annual General Meeting of the Company held on Monday, the 29th September, 2008 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 electronics 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.....

ofbeing a member /members of Tera Software Limited hereby appoint of or failing him.....ofas my/our proxy to vote for me/us and on my/our behalf at the Fourteenth Annual General Meeting to be held on Monday, the 29th September, 2008 at 10.00 A.M. or at any adjournment thereof.

Signed this.....day of.....2008

*Applicable for investors holding shares in electronic form.



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.