
SoftSol India Limited

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

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Letter to Shareholders



Dear members

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

During the year under review, your Company recorded consolidated revenues of Rs 74.03 crores and achieved net profit of Rs. 6.20 crores for the year.

Your company could successfully complete world class projects. Customers testified to our quality of our work and our ability to gain the trust of well-known large organizations around the world for their mission critical projects. The benefits of these relationships are likely to continue to future years and result in improved financial results and improvement in Shareholder value for SoftSol. It is matter of pride that SoftSol teams have delivered excellent quality work and in the process created intellectual property that will improve profitability and intrinsic value of the company.

We have made conscious efforts to differentiate your company as delivering tremendous value to customers by specialization, customer focus and product creation.

We are pleased to inform you that we have opened a new development center in Vizag in our own building. We are also pursuing revenue sources from domestic market.

I am confident that SoftSol, with its satisfied customers, committed technical teams and strong and stable management team, will continue to deliver significant value to all its stakeholders in the years to come with positive results in 2010-11 subject to the market conditions impacting companies of our size.

Sincerely Yours

Srinivasa Rao Madala
Chairman

Notice of the 21st Annual General Meeting

Notice is hereby given that the Twenty First Annual General Meeting of the members of SoftSol India Limited will be held on Friday, the 30th day of September, 2011 at 10.00 a.m., at the registered office of the Company situated at Plot No. 4, Software Units Layout, Madhapur, Hyderabad - 500 081 to transact the following business:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at March 31, 2011 and the Profit & Loss Account for the year ended on that date together with the Report of the Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. B. S. Srinivasan, who retires by rotation and being eligible, offers him for re-appointment.
3. To re-appoint M/s. Brahmayya & Co., Chartered Accountants as Statutory Auditor and to fix remuneration.

Special Business:

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

"RESOLVED THAT Mr. P. Venkatramaiah, who was appointed by the Board of Directors as Additional Director with effective from 23rd May 2011 and who holds office up to the date of the Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company."

On behalf of the Board of Directors

Bhaskar Rao Madala
Whole time Director

Place: Hyderabad

Date: 12-08-2011

Notes:

- (a) A member of the Company entitled to attend and vote at a meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company, not less than 48 hours before the commencement of the meeting.
- (b) The Register of Members and the Share Transfer Books will remain closed from 26-09-2011 to 30-09-2011, both days inclusive.
- (c) Members / Proxies are requested to bring annual report along with the attendance slip filled in for attending the meeting.
- (d) M/s. Karvy Computershare Private Limited, Plot No. 17 - 24, Vitalrao Nagar, Madhapur, Hyderabad - 500 081, Andhra Pradesh is the Registrar and Share Transfer Agent (RTA) for the physical shares of the Company and also the depository interface of the Company with both NSDL and CDSL. Share Transfer documents and all correspondence relating thereto, should be addressed to the RTA.
- (e) Members desiring any information as regards the Accounts are requested to write to the Company at an early date so as to enable the Management to keep the information ready at the meeting.

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

Item No. 4

Mr. Pamulapati Venkatramaiah was appointed as an Additional Director by the Board on 23rd May 2011 pursuant to the provisions of Section 260 of the Companies Act, 1956. He holds office only up to the date of this Annual General Meeting. The Company has received a notice in writing from a member pursuant to the provisions of Section 257 of the Companies Act, 1956 proposing Mr. Venkatramaiah for the office of Director.

Mr. Venkatramaiah aged about 75 years, having qualification of B.E, retired as Chief Engineer in Central Water Commission and had an overall 50 years experience in handling Power & Infra Projects.

The Board has also appointed Mr. Venkatramaiah as the member of the Audit Committee, Remuneration Committee and Share Transfers & Shareholders Grievance Committee of the Company with effective from 23rd May 2011.

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

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

On behalf of the Board of Directors

Bhaskar Rao Madala
Whole time Director

Place: Hyderabad

Date: 12-08-2011

DIRECTORS' REPORT

Dear Members of
SoftSol India Limited

The Directors present their Twenty First Annual Report and the Audited Statement of Accounts for the year ended March 31, 2011.

Financial Results

(Rs .in lakhs)

| 2010-11 | 2009-10 | |
|-------------------------|----------------|---------|
| Gross Revenue | 1065.83 | 2682.63 |
| Total Expenditure | 1019.83 | 1170.72 |
| Operating Profit | 46.00 | 1511.91 |
| Other Income | 895.59 | 769.22 |
| Interest | 1.07 | 0.83 |
| Depreciation | 238.41 | 264.25 |
| Profit before Tax | 738.72 | 2016.05 |
| Provision for Taxation | 150.50 | 331.29 |
| Profit after Tax | 588.22 | 1684.76 |
| Earning per Share (Rs.) | 3.34 | 9.54 |

During the year under review, your Company recorded income of Rs.1065.83. Lakhs from export of software in comparison with previous year's income of Rs. 2682.63 Lakhs. Your company achieved net profit of Rs 588.22 Lakhs for the year in comparison with the previous year's net profit of Rs. 1684.76 Lakhs.

SoftSol Resources Inc., (SRI) a wholly owned subsidiary of your Company, recorded total revenue of US\$ 14.56 Millions in comparison with the previous year's revenue of US\$ 14.98 Millions. SRI recoded net profit of US\$ 71.988 for the year 2010 in comparison with the previous year's net profit of US\$ 41,766.

Management Discussions and Analysis Report

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

Dividend

In view of the financial performance of your Company during the year 2010-11, your Directors have not recommended any dividend for the financial year 2010-11.

Directors:

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

Mr. Pamulapati Venkatramaiah has been appointed as Additional Directors on 23rd May 2011. As per the provisions of Section 260 of the Companies Act, 1956, he holds office only up to the date of the forthcoming Annual General Meeting of the Company. The Company has received notices under Section 257 of the Act in respect of the above persons, proposing their appointment as a director of the Company, along with requisite deposit. Resolution seeking approvals of the Shareholders for their appointment have been incorporated in the Notice of the forthcoming Annual General Meeting along with brief details of the candidates.

Corporate Governance:

A report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement, forms part of the Report.

Whole time Director's Declaration:

Pursuant to the provisions of Clause 49(I)(D)(ii) of the Listing Agreement, a declaration by the Whole time Director of the Company declaring that all the members of the Board and the Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct of the Company, is included in the Report of Corporate Governance.

Listing at Stock Exchange:

The Equity Shares of the Company continue to be listed on Bombay Stock Exchange Limited and the annual listing fees for the years 2010-11 and 2011-12 have been paid to the Exchange.

Auditors:

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

Fixed Deposits

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

Information u/s. 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988.

Conservation of Energy, Technology Absorption, Foreign Exchange earnings and Outgo:

- a. Conservation of Energy: The operations of the Company involve low energy consumption. Adequate measures have, however, been taken to conserve energy.
- b. Technology Absorption: Since business and technologies are changing constantly, investment in research and development activities is of paramount importance. Your Company continues its focus on quality up gradation of product and services development.

- c. Foreign Exchange earnings and outgo: Total foreign exchange earnings during the year were Rs.1,065.83 Lakhs (Previous year Rs. 2682.63 Lakhs) and foreign exchange outgo was Rs. .30 Lakhs (previous year Rs. 1.94 Lakhs).

Particulars of Employees:

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is not required as none of the employees falls under the category.

Directors' Responsibility Statement:

In terms of the provisions of section 217(2AA) of the Companies Act, 1956 (Act), your Directors confirm as under:

1. That, in the preparation of the annual accounts, the applicable Accounting Standards had been followed along with the proper explanation relating to material departures;
2. That, the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.
3. That, the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That, the Directors had prepared the annual accounts on a going concern basis.

Acknowledgements:

Your Directors take this opportunity to thank all investors, business partners, clients, banks, regulatory and governmental authorities, stock exchanges and employees for their continued support.

On behalf of the Board of Directors

Bhaskar Rao Madala
Whole time Director

Place: Hyderabad

Date: 12-08-2011

REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy on Corporate Governance

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

SoftSol continues to follow procedures and practices in conformity with the Code of Corporate Governance as stipulated by the Securities & Exchange Board of India (SEBI).

2. Board of Directors

Composition of the Board:

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

The composition of the Board of Directors and their attendance at Board Meetings during year and at the last Annual General Meeting are given below:

| Name of the Director | Director Identification Number | Category | Designation | Board Meetings held | Board Meetings attended | Last AGM |
|--------------------------|--------------------------------|------------------------------------|---------------------|---------------------|-------------------------|----------|
| Mr. Srinivasa Rao Madala | 01180342 | Promoter Director | Chairman | 4 | 1 | No |
| Mr. Bhaskara Rao Madala | 00474589 | Promoter Director | Whole time Director | 4 | 4 | Yes |
| Dr. T. Hanuman Chowdary | 00107006 | Independent Non-Executive Director | Director | 4 | 4 | Yes |
| Mr. B.S. Srinivasan | 00482513 | Independent Non-Executive Director | Director | 4 | 4 | Yes |

Details of number of directorships and Committee Memberships held by Directors in other Companies:

| Name of the Director | Board | | Committee | |
|--------------------------|----------|--------|-----------|--------|
| | Chairman | Member | Chairman | Member |
| Mr. Bhaskara Rao Madala | Nil | Nil | Nil | Nil |
| Dr. T. Hanuman Chowdary | Nil | 2 | Nil | Nil |
| Mr. B. S. Srinivasan | Nil | Nil | Nil | Nil |
| Mr. Srinivasa Rao Madala | Nil | Nil | Nil | Nil |

The Independence of a Director is determined by the criteria stipulated under the revised Clause 49 of the Listing Agreement as set out below:

An independent Director is a Non-Executive Director who:

- a) Apart from receiving Director's Remuneration as sitting fee does not have any material pecuniary relationships or transactions with the Company, its promoters, its Directors, its senior management or its holding company, its subsidiaries and associates which may affect independence of the Director;
- b) Is not related to promoters or persons occupying management positions at the Board level or at one level below the Board;
- c) Has not been an executive of the company in the immediately preceding three financial years;
- d) Is not a partner or an executive or was not a partner or an executive during the preceding three years of the:
 - i) statutory audit firm or the internal audit firm that is associated with the company; and
 - ii) legal firm(s) and consulting firm(s) that have a material association with the company;
- e) Is not a material supplier, service provider or customer or lessor or lessee of the company, which may affect independence of the Director;
- f) Is not a substantial shareholder of the company i.e. do not own two percent or more of the block of voting shares; and
- g) Is not less than 21 years of age.

Board Procedure:

The calendar of meetings of the Board of Directors is determined well in advance and Notices of the Meetings of the Board are issued by the Company Secretary on the advice and guidance of the Whole time Director. The agenda and notes thereon are finalised by the Whole time Director and circulated sufficiently in advance by the Company Secretary.

During the financial year, Board of Directors of the Company met four times on 29-05-2010, 12-08-2010, 12-11-2010 and 10-02-2011.

Elaborate and meticulous deliberations take place at the meetings of the Board; all relevant information is put up to the Board and comprehensive presentations are made to it to facilitate considered and informed decision making. Heads of the business verticals also attend the meetings of the Board as invitees to provide a better perspective on the operations. The time gap between two meetings of the Board did not exceed four months.

Code of Conduct:

The Board has laid down a code of conduct for all Board members and senior management of the Company, which is available on the Company's web-site. All the Board members and senior management of the Company have affirmed compliance with their respective Codes of Conduct for the Financial Year ended March 31, 2011. A declaration to this effect, duly signed by the Whole time Director is given hereto.

Declaration

I, Bhaskar Rao Madala, Whole time Director do hereby declare that pursuant to the provisions of Clause 49(I) (D) (ii) of the Listing Agreement, all the members of the Board and the Senior Management Personnel of the Company have furnished their affirmation of compliance with the Code of Conduct of the Company.

Bhaskar Rao Madala
Whole-time Director

Place: Hyderabad

Date: 12-08-2011

Details of the Director seeking re-appointment at the forthcoming Annual General Meeting

| | |
|---|------------------------------|
| Name: | Mr. B. S. Srinivasan |
| Date of Birth: | 07-05-1945 |
| Nationality: | Indian |
| Date of Appointment: | 12-07-2006 |
| Educational Qualifications: | F.C.A (Chartered Accountant) |
| Directorships held in other Public Companies: | Nil |

Mr. Srinivasan is a Practicing Chartered Accountant since 1974 and rendering services in the field of finance, accounts, auditing, internal control, audit system, income tax consultation.

Mr. Srinivasan does not own any shares in the Company.

3. Audit Committee

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

- a) Oversight of the company's financial reporting process.
- b) Recommending appointment and removal of external auditors and fixing of their fees.
- c) Reviewing with management the quarterly, half-yearly and annual financial results / statements with special emphasis on accounting policies and practices, compliances with accounting standards and other legal requirements concerning financial statements.
- d) Reviewing the adequacy of the Audit and compliance functioning including their policies, procedures, techniques and other regulatory requirements.
- e) Reviewing the adequacy of internal control systems and significant audit findings.
- f) Discussion with external auditors regarding nature and scope of audit.

Composition and Attendance:

Audit Committee consists of two independent Non-executive Directors and one Executive Director. Members are Dr. T.Hanuman Chowdary, Mr. B.S.Srinivasan and Mr. Bhaskar Rao Madala. Dr. T.Hanuman Chowdary is the Chairman of the Committee. The Company Secretary acts as the Secretary to the Committee. Members of the Committee are well versed in finance, accounts, company law and general business practices.

During the financial year 2010-11 Audit Committee of the Board of Directors met four times on 29-05-2010, 12-08-2010, 12-11-2010 and 10-02-2011. All the members of the Committee attended all the meetings.

4. Remuneration Committee**Remuneration Policy:**

The Committee has the mandate to review and recommend compensation payable to the Whole-time Director and Senior Executives of the Company. No director other than Mr. Bhaskar Rao Madala is drawing remuneration from Company. Mr. Bhaskar Rao Madala is drawing remuneration for the services rendered in the capacity of Whole-time Director of the Company. A sitting fee of Rs. 5,000 (Rupees Five thousand only) is being paid to non-executive directors for attending each board meeting.

Terms of Reference: The terms of reference of the Remuneration Committee are:

- a) To review and approve / recommend the remuneration for the Corporate officers and Whole-time director of the Company

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

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

The details of remuneration and sitting fees paid or provided to each of the Directors during the year 2010-11 are as follows:

(In Rs.)

| Name of the Director | Designation | Salary & Perks | Commission | Sitting Fees | Total |
|--------------------------|---------------------|----------------|------------|--------------|-----------|
| Mr. Srinivasa Rao Madala | Director | Nil | Nil | Nil | Nil |
| Mr. Bhaskar Rao Madala | Whole-time Director | 14,37,600 | Nil | Nil | 14,37,600 |
| Dr. T. Hanuman Chowdary | Director | Nil | Nil | 20,000 | 20,000 |
| Mr. B. S. Srinivasan | Director | Nil | Nil | 20,000 | 20,000 |

No other benefits, bonuses, stock options, pensions or performance-linked incentives are paid to directors except as mentioned above and there are no pecuniary relationships or transactions by the non-executive directors during the financial year.

Shareholding of the Directors in the Company as on 31 March 2011:

Mr. Bhaskar Rao Madala, Whole time Director, holds 2,49,966 equity shares in the Company. No other director holds any shares, convertible instruments or stock options in the company.

5. Share Transfers and Shareholders Grievance Committee

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

Scope of the Committee

The scope of the Shareholders' Share Transfers and Shareholders Grievance Committee is to review and address the grievances of the shareholders in respect of share transfers, transmissions, dematerializations and rematerialisation of shares, dividend, change of address, and other miscellaneous matters.

During the year Company has not received any complaints from the shareholders and there are no pending shareholder complaints or share transfers as on date of this report.

Meetings and Attendance:

During the year under review, four meetings were held on 29-05-2010, 12-08-2010, 12-11-2010 and 10-02-2011. All the members of the Committee attended all the meetings.

6. General Body Meetings

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

| Year/Period | Day, Date and Time | Location |
|-------------|--|---|
| 2007-2008 | Tuesday, 30th September 2008 at 10.30 A.M. | At the Registered office of the Company at Plot No.4, Software Units Layout, Madhapur, Hyderabad – 500 081. |
| 2008-2009 | Wednesday, 30th September 2009 at 10.30 A.M. | At the Registered office of the Company at Plot No.4, Software Units Layout, Madhapur, Hyderabad – 500 081. |
| 2009-2010 | Thursday, 30th September 2010 at 10.30 A.M. | At the Registered office of the Company at Plot No.4, Software Units Layout, Madhapur, Hyderabad – 500 081. |

No special resolution was passed by the shareholders at the last three Annual General Meetings. No business was transacted through postal ballot at the last three Annual General Meetings. At the forthcoming Annual general Meeting no business is required to be transacted through postal ballot. No Extra-Ordinary General Meeting of the shareholders was held during the year.

7. Disclosures:

Details of Related Party Transactions:

SoftSol Technologies Inc., (STI) holds 50.38 % of the total shareholding of SoftSol India Limited. SoftSol India Limited (SIL) holds 100% shareholding of SoftSol Resources Inc., (SRI) and hence SRI is a wholly owned subsidiary of SIL. The transactions details of the Company with the STI & SRI as of 31.03.2011 are:

| Details | Party Name | 31-03-2011 (in Rs.) | 31-09-2010 (in Rs.) |
|------------|---------------------------|---------------------|---------------------|
| Sales | SoftSol Technologies Inc. | 8,59,18,440 | 12,70,23,870 |
| | SoftSol Resources Inc. | 2,03,74,875 | 4,18,59,115 |
| Investment | SoftSol Resources Inc. | 95,34,04,053 | 95,34,04,053 |

No Loans and Advances to Subsidiary Company have been made in the financial year 2010-11. There is no pecuniary relationship or transactions with non-executive director's vis-à-vis the Company, which has potential conflict with the interests of the Company at large.

The Company has complied with the requirements of the Stock Exchanges, SEBI and other statutory authorities on all matters relating to capital markets during the last three years. No penalties or a stricture has been imposed on the Company by Stock Exchange(s) or SEBI or any statutory authority on any matter related to capital markets during last three years.

The Company has complied with all the applicable mandatory requirements of the Clause 49 (Corporate Governance) of the Listing Agreement.

Prohibition of Insider Trading:

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

Compliance Report:

A Compliance report of all applicable Laws and Regulations as certified by the Whole time Director and the Company Secretary is placed at periodic intervals for review by the Board. The Board reviews the compliance of all the applicable Laws and gives appropriate directions wherever necessary. The Board considers materially important Show Cause/Demand Notices received from Statutory Authorities and the steps/action taken by the Company in this regard.

A status report of material legal cases pending before the various courts is also put up to the Board on a quarterly basis.

The Board regularly discusses the significant business risks identified by the management and the mitigation process being taken up.

8. Means of Communication

The Company regularly intimates unaudited as well as audited financial results to the Stock Exchanges, immediately after these are taken on record by the Board. These financial results are normally published in Business Standard/ Indian Express (English) and Andhra Bhumi/Andhra Prabha/Andhra Jyothi (Telugu) Newspapers and are displayed on the website of the Company www.softsolindia.com. The company also releases all price sensitive information simultaneously to BSE and the media.

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

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

9. CEO/CFO Certification:

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

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

Plot No. 4, Software Units Layout, Madhapur, Hyderabad-500 081

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

E-mail: cs@softsol.net, Website: www.softsolindia.com

Annual General Meeting: (Date, Time and Venue)

Friday, the 30th day of September 2011 at 10.00 A.M. at the Registered Office of the Company.

Financial Calendar

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

Book Closure

From September 26, 2011 to September 30, 2011 (both days inclusive)

Listing of Shares

The Company shares are listed on The Bombay Stock Exchange Limited and the Company has paid listing fees for the financial years 2010-11 and 2011-12 to the Stock Exchange.

Stock Code/Symbol

The Bombay Stock Exchange Limited - 532344

Share Transfer Agent

Karvy Computershare Private Limited, Plot No. 17 - 24, Vithalrao Nagar, Madhapur, Hyderabad-500 081, Andhra Pradesh. Contact Person: Mr. V. K. Jayaraman, General Manager, Phone: 040 - 23420815-820, Fax: 040-23420814. Email: jayaramanvk@karvy.com.

Share Transfer System

Equity Shares lodged for transfer in physical mode are normally registered within 15 days from the date of receipt. The Share Transfer Agent is handling all the Share Transfers and related transactions. As on March 31, 2011, no share transfer or complaints were pending.

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

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

Dematerialization of Shares

The Shares of the Company are in compulsory demat segment and are available for trading in the depository system of both NSDL and CDSL. As on March 31, 2011, 12144078 Equity Shares of the Company forming 69.93% of the Share Capital of the Company, stand dematerialized. International Securities Identification Number: INE002B01016.

Category wise Shareholding as at March 31, 2011.

| Category | No. of Shares held | Percentage of Shareholding (%) |
|--|--------------------|--------------------------------|
| Promoters | 10825463 | 61.45 |
| Mutual Funds and UTI | Nil | Nil |
| Banks, Financial Institutions, Insurance Companies | Nil | Nil |
| FII's | Nil | Nil |
| Private Corporate Bodies | 77183 | 0.44 |
| Indian Public | 1258763 | 7.14 |
| Non-Resident Indians | 2720008 | 15.44 |
| Overseas Body Corporates | 2736061 | 15.53 |
| Clearing Members | 18 | 0.00 |
| Total | 17617496 | 100 |

Market Price Data:

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

| Month | BSE-High | BSE-Low | Month | BSE-High | BSE-Low |
|----------------|----------|---------|---------------|----------|---------|
| April 2010 | 79.75 | 52.30 | October 2010 | 53.45 | 45.75 |
| May 2010 | 69.85 | 52.65 | November 2010 | 51.40 | 41.80 |
| June 2010 | 61.80 | 52.00 | December 2010 | 51.00 | 40.00 |
| July 2010 | 63.00 | 51.00 | January 2011 | 50.80 | 42.95 |
| August 2010 | 62.00 | 50.05 | February 2011 | 47.20 | 36.20 |
| September 2010 | 58.70 | 46.00 | March 2011 | 43.50 | 34.00 |

Distribution of Shareholding as at March 31, 2010.

| Number of Equity Sharehold | Shareholders (Numbers) | Shareholders (Percentage) | Shares (Numbers) | Shares (Percentage) |
|----------------------------|------------------------|---------------------------|------------------|---------------------|
| 1 - 5000 | 2035 | 84.20 | 3659140.00 | 2.08 |
| 5001 - 10000 | 225 | 9.31 | 1930010.00 | 1.10 |
| 10001 - 20000 | 75 | 3.10 | 1113300.00 | 0.63 |
| 20001 - 30000 | 29 | 1.20 | 750550.00 | 0.43 |
| 30001 - 40000 | 5 | 0.21 | 196530.00 | 0.11 |
| 40001 - 50000 | 10 | 0.41 | 456840.00 | 0.26 |
| 50001 - 100000 | 12 | 0.50 | 863600.00 | 0.49 |
| 100001 & above | 26 | 1.08 | 167204990.00 | 94.91 |
| Total | 2417 | 100.00 | 176174960.00 | 100.00 |

Declaration

To
The Board of Directors of
SoftSol India Limited.

I, Bhaskar Rao Madala, Whole time Director of SoftSol India Limited certifies that:

- a) I have reviewed financial statements and the cash flow statement for the year ended March 31, 2011 and that to the best of their knowledge and belief:
 - i. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii. These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of their 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.
- c) I accept responsibility for establishing and maintaining internal controls for financial reporting and that they have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and they have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.
- d) I have indicated to the auditors and the Audit committee
 - i. There have not been any significant changes in internal control over financial reporting during the year under reference;
 - ii. There has not been any significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii. There has not been any instances of significant fraud of which they 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 over financial reporting.

Bhaskar Rao Madala
Whole-time Director

Place: Hyderabad
Date: 12-08-2011

Certificate of Compliance with the conditions of Corporate Governance under Clause 49 of the Listing Agreement

The members of
SoftSol India Limited

1. We have examined the compliance of conditions of Corporate Governance by SoftSol India Limited (the Company) the year ended March 31, 2011 as stipulated in clause 49 of the listing agreement of the said Company with the stock exchanges in India.
2. The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. In our opinion and to the best of our information and explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned listing agreement.
4. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

Place : Hyderabad
Date : 12-08-2011

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

Management's discussion and analysis

Overview

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

A. Industry structure and developments

Changing economic and business conditions and rapid technological innovation are creating an increasingly competitive market environment that is driving corporations to transform their operations. Consumers of products and services are increasingly demanding accelerated delivery times and lower prices. Companies are focusing on their core competencies and are using outsourced technology service providers to adequately address these needs. The role of technology has evolved from supporting corporations to transforming them. There is an increasing need for highly skilled technology professionals in the markets in which we operate. At the same time, corporations are reluctant to expand their internal IT departments and increase costs. These factors have increased corporations' reliance on their outsourced technology service providers and are expected to continue to drive future growth for outsourced technology services.

India is widely recognized as the premier destination for offshore technology services. According to the NASSCOM Strategic Review 2011, IT services exports (excluding exports relating to business process outsourcing (BPO), hardware, engineering design and product development) from India are estimated to grow by 22.7% in fiscal 2010, to record revenues of US \$33.5 billion. This review also estimates BPO exports from India to have grown by 14% in fiscal 2011 to record revenues of US \$14.1 billion. There are several key factors contributing to the growth of IT and IT-enabled services (ITES) in India and by Indian companies. Some of these factors are high-quality delivery, significant cost benefits and abundant skilled resources.

B. Opportunities and threats of Global IT services and Products

These are challenging times for the Indian IT Industry given the current global financial crisis. All companies are under threat given the uncertainties in the market today. India is no longer decoupled from the global economy and all sectors, whether it is IT or BPO which are directly linked to the fortunes of global business or retail, manufacturing and real estate which depend on the prosperity of the citizens to succeed will need to prepare themselves for a period of uncertainty and start building strategies and new capabilities for success in the future.

Every crisis creates new opportunities and there are new possibilities emerging in every segment. Service firms have the opportunity to build wider and deeper relationships with their clients, challenging the assumptions on what work can be done in near shore and offshore locations and identifying new areas to partner to meet the customer's need to preserve profits in difficult times.

Companies in the knowledge services business will need to be watchful and avoid excessive cost or capacity build up at a time when demand will be weak at least for the next few quarters. Product and IP creating firms can identify niche areas that emerge through the periods of instability and education and training firms can address the task of re-skilling both the existing workforce and job seekers to make them more suitable for the new challenges.

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

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

We manage mission critical IT infrastructure/applications and therefore maintaining stable communication links

with our clients is imperative. Breakdown in telecommunication links, geo-political disturbances or natural disaster could temporarily impact our ability to service customers. This could adversely affect the customer decision to procure IT services from India or increase the nature and scope of services sourced from India.

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

With solid management practices driven by a stable leadership team, a well diversified service portfolio aligned to market needs, a wide geographic presence, increased levels of productivity through efficiency frameworks and a proven track record through its Innovation, the Company is confident of increased success in the years to come.

C. Outlook

We have made very good progress in deepening the relationship with existing customers. As we are entering in to the domestic business, we expect to achieve higher growth rates in income and profits during the coming year.

With the economic uncertainties, we are exploring the domestic market as well as Asia Pacific region for driving the growth and mitigating risk in the developed world. This growth is largely driven by increased acceptance of IT within the country as a major growth enabler and a competitive tool for Indian corporations to compete in an increasingly globalized environment.

D. Internal Control Systems and their adequacies

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

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

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

E. Financial Performance of the company

Your company had consolidated revenues of Rs 74.03 crores and Rs 6.20 crores net income in the current year. We expect to achieve significant growth in revenue and net income in the coming year.

F. Human Resources

Our focus is to develop individual and team competencies and capabilities for driving operational excellence and building a high performance organization. Hence our Talent Management program is focused on Talent Acquisition, Development and Retention.

We have our employees undergo certification programs each year to develop the skills relevant for their roles. We have also adopted a performance-linked compensation program that links compensation to individual performance, as well as meeting organisational goals.

We have initiated various measures from time to time to maintain a competitive, healthy and harmonious work environment at all levels.

Auditor's Report

To
The Members of
SoftSol India Limited, Hyderabad(AP)

We have audited the attached balance sheet of SoftSol India Limited, Hyderabad(AP) as at 31st March, 2011, and the Profit and Loss account for the year ended on that date annexed thereto, and its Cash Flow statement for the year ended on that date. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that :

- (i) We have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
- (iii) The Balance Sheet, the Profit and Loss Account and the Cash-flow Statement dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash- flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- (v) On the basis of written representations received from the directors, as on 31st March, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the companies Act, 1956, in the manner so required, give a true and fair view in conformity with the accounting principles generally accepted in India;
 - (a) in the case of the Balance Sheet, of the state of affairs of the company as at 31st March, 2011;
 - (b) in the case of the Profit and Loss account, of the PROFIT of the company for the year ended on that date; and
 - (c) in the case of the Cash-flow Statement, of the cash flows of the company for the year ended on that date.

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

Place : Hyderabad
Date : 23rd May, 2011

D.Seetharamaiah
Partner
Membership No : 2907

Annexure to Auditor's Report

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

- 1.1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- 1.2. As explained to us, the management has physically verified most of the fixed assets during the year and there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of the assets. No material discrepancies were noticed during the year on such verification.
- 1.3. During the year the company has not disposed of any part of its fixed assets.
- 2.1. No inventories are held, since the company is engaged in developing software and providing I.T. Solutions, Accordingly clause 4(ii) is not applicable to the company for the year under report.
- 3.1.1 The company has neither granted nor taken any loans secured or unsecured to /from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act 1956.
- 3.1.2 In view of the comment in paragraph 3.1.1 above, the clause 4(iii) (b), (c), (d), (e), (f) and (g) are not applicable to the company.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the company and fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- 5.1 Based on the information and explanations given to us, we are of the opinion that the transactions that need to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- 5.2 In our opinion and according to the information and explanations given to us, the transactions which have been entered into, pursuant to contracts that have been entered in the register maintained under Section 301 of the Companies Act, 1956, have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. The company has not accepted any deposits from public and consequently, the directives issued by the Reserve Bank of India and the provisions of sections 58A and 58AA or any other relevant provisions of the Companies Act 1956 and the rules framed there under are not applicable.
7. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
8. The Central Government has not prescribed the maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 for the activities of the Company.
- 9.1 According to the information furnished to us, the company is regular in depositing with appropriate authorities, the undisputed statutory dues including Provident Fund, Investor Education Protection Fund, Employees' State Insurance, Income Tax, Sales Tax, Wealth Tax, Service tax, Customs Duty, Excise Duty, Cess and other material statutory dues applicable to the Company.
- 9.2 According to the records of the Company and the information and explanations given to us, there are no undisputed dues of Income Tax, Sales Tax, Service tax, Customs Duty and Cess which are not paid for a period of more than six months.
- 9.3 According to the records of the Company and the information and explanations given to us, the following are the disputed demand in respect of Income Tax, which has not been deposited.

| Nature of the dues | Amount Rs. | Period to which the amount relates | Forum where dispute is pending |
|--------------------|-------------|------------------------------------|--------------------------------|
| Income Tax | 1,24,93,756 | 2006-2007 | C.I.T. Appeals, Hyderabad |
| | 1,42,98,638 | 2007-2008 | C.I.T. Appeals, Hyderabad |

10. The company has no accumulated losses as at the end of the financial year 31-03-2011 and it has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
11. In our opinion and according to the information and explanations furnished to us by the company, the company has not defaulted in repayment of its dues to financial institutions and banks at the date of the Balance Sheet. Default in repayment of debentures does not arise, since the Company has not issued any debentures.
12. According to the information and explanation given to us, the company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The company is neither a chit fund nor a nidhi/ mutual benefit fund /society. Hence the requirements of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company during the year under report.
14. According to the information furnished to us, the company is not trading in shares, securities, debentures and other investments. Accordingly, the requirements of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
15. According to the information and explanation given to us, the company has not given any guarantee for loans taken by others from banks and financial institutions.
16. According to the information and explanation given to us, the company has not obtained any term loans during the year.
17. The company has not raised any funds on short term basis.
18. According to the information and explanations given to us, the company has not made any preferential allotment of shares during the year to parties and companies covered in the register maintained under section 301 of the Act, or to any others.
19. According to the information and explanations given to us, the company has not issued any debentures during the year under report.
20. The company has not raised any money through public issues during the year. Accordingly, the provisions of clause 4(xx) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company during the year under report.
21. According to the information and explanations given to us, and based on the audit procedures generally adopted by us, we report that, during the year, no fraud on or by the company has been noticed or reported that is either significant or could have caused a material misstatement in the financial statements.

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

Place : Hyderabad
Date : 23rd May, 2011

D.Seetharamaiah
Partner
Membership No:2907

BALANCE SHEET AS AT 31st MARCH 2011

| Particulars | Schedule No. | As At 31st March 2011 (in Rupees) | As At 31st March 2010 (in Rupees) |
|--|-----------------|---|---|
| I SOURCES OF FUNDS | | | |
| 1. Shareholder's funds | | | |
| (a) Capital | 01 | 180,033,070 | 180,559,110 |
| (b) Reserves and Surplus | 02 | 1,642,473,889 | 1,586,004,689 |
| T O T A L | | <u>1,822,506,959</u> | <u>1,766,563,799</u> |
| II APPLICATION OF FUNDS | | | |
| 1. Fixed Assets | | | |
| a) Gross Block | 03 | 537,149,969 | 404,550,736 |
| Less: Depreciation | | <u>154,726,025</u> | <u>130,885,154</u> |
| b) Net Block | | 382,423,944 | 273,665,582 |
| Add: i) Capital Work In Progress | | 13,631,399 | 76,248,655 |
| ii) Unallocated Capital Expenditure | 04 | ---- | <u>2,715,980</u> |
| | | <u>396,055,343</u> | <u>352,630,217</u> |
| 2. Investments | 05 | 953,404,053 | 953,584,053 |
| 3. Current Assets, Loans and Advances | | | |
| Sundry debtors | 06 | 22,883,124 | 85,937,532 |
| Cash and bank balances | 07 | 422,931,852 | 341,576,397 |
| Loans and advances | 08 | <u>89,782,027</u> | <u>88,164,835</u> |
| | | 535,597,003 | 515,678,764 |
| Less : Current Liabilities and Provisions | 09 | 62,549,440 | 55,329,235 |
| Net Current Assets | | <u>473,047,563</u> | <u>460,349,529</u> |
| T O T A L | | <u>1,822,506,959</u> | <u>1,766,563,799</u> |

NOTES ON ACCOUNTS

14

Schedules, Accounting policies and Note on accounts forms an integral part of Balance Sheet

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

For and on behalf of the Board

D. Seetaramaiah
Partner

Bhaskar Rao Madala
Whole time Director

Dr. T. Hanuman Chowdary
Director

Place: Hyderabad
Date: 23-05-2011

B.S. Srinivasan
Director

C. Lalitha
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2011

| Particulars | Schedule No. | Current Year (in Rupees) | Previous Year (in Rupees) |
|---|-----------------|-----------------------------|------------------------------|
| <u>INCOME</u> | | | |
| Software Exports | | 106,582,835 | 268,262,779 |
| Other Income | 10 | 93,220,403 | 76,921,641 |
| | | 199,803,238 | 345,184,420 |
| <u>EXPENDITURE</u> | | | |
| Personnel Cost | 11 | 66,621,754 | 81,501,779 |
| Operation and other expenses | 12 | 35,361,405 | 35,570,068 |
| | | 101,983,159 | 117,071,847 |
| PROFIT BEFORE INTEREST, DEPRECIATION AND TAXES | | 97,820,079 | 228,112,573 |
| Finance Charges | 13 | 107,194 | 83,148 |
| Depreciation/Amortisation | 03 | 23,840,871 | 26,424,822 |
| PROFIT BEFORE TAXES | | 73,872,014 | 201,604,603 |
| Provision for Taxation | | | |
| Current Income tax | | 15,050,000 | 35,000,000 |
| Deferred tax | | - | (1,871,429) |
| PROFIT FOR THE YEAR AFTER TAXATION | | 58,822,014 | 168,476,032 |
| Add: Balance brought forward from previous year | | 792,511,053 | 633,892,101 |
| Amount available for appropriation | | 851,333,067 | 802,368,133 |
| Appropriations: | | | |
| Amount transferred to Capital Redemption reserve | | 526,040 | 9,857,080 |
| SURPLUS CARRIED TO BALANCE SHEET | | 850,807,027 | 792,511,053 |
| Earning Per Share (Basic & Diluted) | | 3.34 | 9.54 |

NOTES ON ACCOUNTS

14

Schedules, Accounting policies and Note on accounts forms an integral part of Profit and Loss Account

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

For and on behalf of the Board

D. Seetaramaiah
Partner

Bhaskar Rao Madala
Whole time Director

Dr. T. Hanuman Chowdary
Director

Place: Hyderabad
Date: 23-05-2011

B.S. Srinivasan
Director

C. Lalitha
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2011

(Rs. In Lakhs)

| | Year ended 31-03-2011 (In Rupees) | Year ended 31-03-2010 (In Rupees) |
|--|---|---|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit before Tax and Extraordinary Items | 738.72 | 2,016.05 |
| Adjustments for: | | |
| Depreciation | 238.41 | 264.25 |
| Interest (Net) | (226.56) | (216.73) |
| Provision for Leave Encashment | (5.09) | 7.24 |
| Provision for Gratuity | 0.31 | 8.33 |
| Loss on sale of investments | 1.50 | - |
| Excess Provision/Credit Balances written Back | (9.58) | (0.01) |
| Operating Profit before Working Capital changes | 737.72 | 2,079.12 |
| Adjustments for Working Capital: | | |
| Trade and other payables | 87.29 | (42.07) |
| Trade and other receivables | 839.89 | 89.14 |
| Inventories | - | 33.40 |
| Net Cash generated from operations | 1,664.90 | 2,159.60 |
| Direct Taxes Paid | (316.19) | (304.75) |
| Net Cash from operating activities (A) | 1,348.71 | 1,854.85 |
| B. CASH FLOW FROM INVESTING ACTIVITIES: | | |
| Interest received | 167.80 | 207.15 |
| Dividend Paid | (0.73) | (0.68) |
| Purchase of Fixed Assets | (672.66) | (514.59) |
| Sale of investments | 0.30 | - |
| Net Cash flow from Investing Activities (B) | (505.30) | (308.12) |
| C. CASH FLOW FROM FINANCING ACTIVITIES: | | |
| Extraordinary Items : Buy Back of Equity Shares | (28.79) | (537.91) |
| Interest Paid | (1.07) | (0.83) |
| Net Cash flow from Financing Activities (C) | (29.86) | (538.75) |
| Net Increase in Cash and Cash Equivalents (A+B+C) | 813.55 | 1,007.98 |
| Cash and cash Equivalents as at beginning of the year | 3,415.76 | 2,407.78 |
| Cash and cash Equivalents as at end of the year | 4,229.32 | 3,415.76 |

per our report of even date
Board

For and on behalf of the

For M/s. Brahmaya & Co.
Chartered Accountants
D. Seetaramaiah
Partner

Bhaskar Rao Madala
Whole time Director

Dr. T. Hanuman Chowdary
Director

Place: Hyderabad
Date: 23-05-2011

B.S. Srinivasan
Director

C. Lalitha
Company Secretary

**SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31st MARCH 2011**

| Particulars | As at | | | |
|--|---------------------------|---------------------------|--------------------|----------------------|
| | 31.03.2011 (in Rupees) | 31.03.2010 (in Rupees) | | |
| 01. SHARE CAPITAL | | | | |
| Authorised | | | | |
| 50,000,000 Equity Shares of Rs.10/- each | 500,000,000 | 500,000,000 | | |
| Issued | | | | |
| 19,681,430 Equity Shares of Rs. 10/-each | 196,814,300 | 196,814,300 | | |
| Subscribed | | | | |
| 19,455,630 Equity shares Rs. 10/- each | 194,556,300 | 194,556,300 | | |
| Paid Up Capital | | | | |
| 1,75,89,296 (Previous Year 1,76,41,900) Equity shares of Rs. 10/- each fully paid up (During the year 52,604 Equity shares of Rs.10/- each bought back) | 175,892,960 | 176,419,000 | | |
| 28,200 Equity shares of Rs.10/- each and Rs.5/- each paid up | 141,000 | 141,000 | | |
| | 176,033,960 | 176,560,000 | | |
| Add: Forfeited shares (amount originally paid up) | | | | |
| 799,822 Equity shares of Rs. 5/- each | 3,999,110 | 3,999,110 | | |
| | 180,033,070 | 180,559,110 | | |
| 02. RESERVES AND SURPLUS | | | | |
| | Balance as at | Additions | Deletions | Balance as at |
| | 31.03.2010 | | | 31.03.2011 |
| Securities Premium Account | 713,946,427 | -- | 2,352,814 | 711,593,613 |
| General Reserve | 69,690,129 | -- | -- | 69,690,129 |
| Capital Redemption Reserve | 9,857,080 | 526,040 | - | 10,383,120 |
| Surplus: Balance in Profit and Loss Account | 792,511,053 | 850,807,027 | 792,511,053 | 850,807,027 |
| | TOTAL | 1,586,004,689 | 851,333,067 | 794,863,867 |
| | | | 794,863,867 | 1,642,473,889 |
| 05. INVESTMENTS | | | | |
| (At cost, Non-trade, Long-term, unquoted) | | | | |
| Government Securities | | | | |
| National Saving certificates | | | - | 6,000 |
| Investments In Wholly Owned Subsidiary | | | | |
| 13,120 common stock of \$ 100 each fully paid up | | | 953,404,053 | 953,404,053 |
| Investments In Equity Shares in Tierra Infra Private Ltd | | | | |
| 1,74,000, Equity Shares of Rs. 1/- each | | | - | 174,000 |
| | TOTAL | | 953,404,053 | 953,584,053 |

03. FIXED ASSETS

| S. No. | PARTICULARS | GROSS BLOCK | | | | DEPRECIATION | | | NET BLOCK | |
|--------|----------------------------|----------------------------|------------------------------------|------------------------------------|----------------------------|---------------------------|------------------------|------------------------------------|----------------------------|----------------------------|
| | | AS ON 01.04.2010 Rs. | ADDITIONS DURING YEAR Rs. | DELETIONS DURING YEAR Rs. | AS ON 31.03.2011 Rs. | UPTO 31.03.2010 Rs. | FOR THE YEAR Rs. | TOTAL UPTO 31.03.2011 Rs. | AS AT 31.03.2011 Rs. | AS AT 31.03.2010 Rs. |
| | Tangible assets | | | | | | | | | |
| 1. | Land | 13,918,307 | - | - | 13,918,307 | - | -- | - | 13,918,307 | 13,918,307 |
| | Own | 5,540,142 | -- | -- | 5,540,142 | 111,922 | 55,961 | 167,883 | 5,372,259 | 5,428,220 |
| | Lenshold | 213,928,222 | 77,089,237 | -- | 291,017,459 | 35,948,676 | 9,240,314 | 45,188,990 | 245,828,469 | 177,979,546 |
| 2. | Building | 8,203,360 | 72,000 | -- | 8,275,360 | 7,170,714 | 426,465 | 7,597,179 | 678,181 | 1,032,646 |
| 3. | Computers | 21,802,444 | 17,645,507 | -- | 21,802,444 | 19,145,845 | 1,062,640 | 20,208,485 | 1,593,959 | 2,656,599 |
| 4. | Computers - Imported | 33,378,609 | 2,930,740 | -- | 51,024,116 | 13,498,212 | 2,998,423 | 16,496,635 | 34,527,481 | 19,880,397 |
| 5. | Air Condition System | 11,062,734 | 2,930,740 | -- | 13,993,474 | 4,584,862 | 936,813 | 5,521,675 | 8,471,799 | 6,477,872 |
| 6. | Generator | 5,872,985 | 1,341,000 | -- | 7,213,985 | 2,470,174 | 489,685 | 2,959,859 | 4,254,126 | 3,402,811 |
| 7. | Lift | 2,659,053 | 1,295,000 | -- | 3,954,053 | 1,448,800 | 184,138 | 1,632,938 | 2,321,115 | 1,210,253 |
| 8. | UPS | 34,432,072 | 13,309,899 | -- | 47,741,971 | 19,398,979 | 3,201,977 | 22,600,956 | 25,141,015 | 15,033,093 |
| 9. | Furniture and Fixtures | 26,487,952 | 12,460,306 | -- | 38,948,258 | 13,858,649 | 2,483,630 | 16,342,279 | 22,605,979 | 12,629,303 |
| 10. | Electrical Installation | 10,225,968 | 322,282 | -- | 10,548,250 | 4,000,404 | 874,474 | 4,874,878 | 5,673,372 | 6,225,564 |
| 11. | Office Equipment | 463,645 | -- | -- | 463,645 | 322,669 | 19,610 | 342,279 | 121,366 | 140,976 |
| 12. | Office Equipment - Imp | 3,172,771 | 1,859,957 | -- | 5,032,728 | 1,056,845 | 347,093 | 1,403,938 | 3,628,790 | 2,115,926 |
| 13. | Net Working Equipment | 1,270,134 | 3,628,305 | -- | 4,898,439 | 356,562 | 171,325 | 527,887 | 4,370,552 | 913,572 |
| 14. | Fire Fighting Equipment | - | 645,000 | -- | 645,000 | - | 7,866 | 7,866 | 637,134 | - |
| 15. | Sewage Treatment Plant | 91,746 | -- | -- | 91,746 | 78,723 | 1,812 | 80,535 | 11,211 | 13,023 |
| 16. | Canteen Equipment | 99,794 | -- | -- | 99,794 | 82,673 | 2,381 | 85,054 | 14,740 | 17,121 |
| 17. | Motors and Borewell | 9,625,044 | -- | -- | 9,625,044 | 5,715,404 | 1,012,206 | 6,727,610 | 2,897,434 | 3,909,640 |
| 18. | Vehicles | 195,685 | -- | -- | 195,685 | 153,220 | 5,907 | 159,127 | 36,558 | 42,465 |
| 19. | Xerox Machine - Imp | 18,592 | -- | -- | 18,592 | 15,546 | 551 | 16,097 | 2,495 | 3,046 |
| 20. | Library | 2,101,477 | -- | -- | 2,101,477 | 1,466,275 | 317,600 | 1,783,875 | 317,602 | 635,202 |
| 21. | Software | 404,550,736 | 132,599,233 | -- | 537,149,969 | 130,885,154 | 23,840,871 | 154,726,025 | 382,423,944 | 273,665,582 |
| 22. | Capital workin progress | 76,248,655 | 64,801,734 | 127,418,990 | 13,631,399 | -- | -- | -- | 13,631,399 | 76,248,655 |
| | Less : Internal Transfers | 480,799,391 | 197,400,967 | 127,418,990 | 550,781,368 | 130,885,154 | 23,840,871 | 154,726,025 | 396,055,343 | 349,914,237 |
| | | - | 127,418,990 | 127,418,990 | -- | -- | -- | -- | -- | -- |
| | TOTAL | 480,799,391 | 69,981,977 | -- | 550,781,368 | 130,885,154 | 23,840,871 | 154,726,025 | 396,055,343 | 349,914,237 |
| | Previous Year Total | 429,892,143 | 50,907,248 | -- | 480,799,391 | 104,460,333 | 26,424,822 | 130,885,154 | 349,914,237 | 325,431,810 |

| Particulars | As at | As at |
|---|-----------------------------|-----------------------------|
| | 01.04.2010 (in Rupees) | 31.03.2011 (in Rupees) |
| 04. UNALLOCATED CAPITAL EXPENDITURE | | |
| Stores and Spares | 3,510 | -- |
| Repairs & Maintenance | 148,206 | -- |
| Bank Charges | 30,991 | -- |
| Travelling & Conveyance | 303,277 | -- |
| Legal & Professional Charges | 2,082,443 | -- |
| Printing & Stationary | 2,253 | -- |
| Rent | 95,300 | -- |
| General Expenses | 50,000 | -- |
| TOTAL | 2,715,980 | -- |
| | | |
| Particulars | As at | As at |
| | 31.03.2011 (in Rupees) | 31.03.2010 (in Rupees) |
| 06. SUNDRY DEBTORS | | |
| (Unsecured, Considered Good) | | |
| Debts due over six months | -- | -- |
| Other debts | 22,883,124 | 85,937,532 |
| TOTAL | 22,883,124 | 85,937,532 |
| 07. CASH AND BANK BALANCES | | |
| Cash in hand | 130,485 | 232,519 |
| Balance with scheduled banks in : | | |
| Current Accounts | 67,747,782 | 104,909,320 |
| Unpaid Dividend Accounts | - | 73,188 |
| Fixed Deposits | 355,053,585 | 236,361,370 |
| TOTAL | 422,931,852 | 341,576,397 |
| 08. LOANS AND ADVANCES | | |
| (Unsecured, considered good ,recoverable in cash or in kind or for value to be received) | | |
| Intercompany Loans including interest accrued thereon | 2,153,537 | 2,068,628 |
| Advances for : Capital Works | 32,588,058 | 48,110,287 |
| Expenses | 45,000 | - |
| Others | - | 2,758,617 |
| Deposits recoverable | 3,326,462 | 3,314,462 |
| Rent Receivable | 7,163,045 | 10,429,341 |
| Prepaid Expenditure | 972,969 | 502,522 |
| Advance Income Tax & TDS (Net of Provisions) | 23,907,589 | 7,338,909 |
| Interest Accrued | 11,575,367 | 5,592,069 |
| MAT Credit Receivable | 8,050,000 | 8,050,000 |
| TOTAL | 89,782,027 | 88,164,835 |

| Particulars | As at 31.03.2011 (in Rupees) | As at 31.03.2010 (in Rupees) |
|--|--------------------------------------|--------------------------------------|
| 09. CURRENT LIABILITIES AND PROVISIONS | | |
| A. Current Liabilities | | |
| Creditors for : Capital Goods | 5,444,840 | 2,084,687 |
| : Expenses | 904,073 | 1,298,056 |
| : Other Finance | 895,555 | 4,780,410 |
| Deposits Refundable | 51,044,402 | 42,354,998 |
| Unclaimed Dividend (not due for remittance to Investor Education and protection fund) | - | 73,188 |
| B. Provisions | | |
| Provision for Gratuity | 3,732,755 | 3,701,562 |
| Provision for Leave Encashment | 527,815 | 1,036,334 |
| T O T A L | 62,549,440 | 55,329,235 |
| <hr/> | | |
| Particulars | Current Year (in Rupees) | Previous Year (in Rupees) |
| 10. OTHER INCOME | | |
| Interest earned (Others, gross) | 22,762,841 | 21,755,826 |
| T D S : Current year Rs. 30,65,705/- : previous year Rs. 17,23,697/- | | |
| Rents Received | 66,796,462 | 55,144,082 |
| Foreign Exchange Gain (Net) | 2,703,092 | - |
| Miscellaneous receipts | - | 20,533 |
| Excess Provision/Credit Balances written back | 958,008 | 1,200 |
| T O T A L | 93,220,403 | 76,921,641 |
| <hr/> | | |
| 11. PERSONNEL COST | | |
| Salaries, Wages and Bonus | 61,155,757 | 74,500,873 |
| Contribution to provident and other funds | 2,394,170 | 2,807,513 |
| Staff welfare Expenses | 2,398,489 | 3,291,265 |
| Gratuity | 673,338 | 902,128 |
| T O T A L | 66,621,754 | 81,501,779 |
| <hr/> | | |
| 13. FINANCE CHARGES | | |
| Interest to others | 107,194 | 83,148 |
| T O T A L | 107,194 | 83,148 |

| Particulars | Current Year (in Rupees) | (Previous Year) (in Rupees) |
|---|-----------------------------|--------------------------------|
| 12. OPERATION AND OTHER EXPENSES | | |
| Rent | 159,333 | 117,155 |
| Taxes and Licenses | 1,948,909 | 1,830,433 |
| Insurance | 268,873 | 262,993 |
| Repairs and Maintenance to : | | |
| Equipment | 488,675 | 256,183 |
| Buildings | 3,312,004 | 644,647 |
| Others | 5,176,067 | 5,111,968 |
| Advertisement | 127,317 | 128,149 |
| Commission | 2,877,417 | - |
| Communication Costs | 671,647 | 1,251,651 |
| Soft Link Charges | 2,191,624 | 896,703 |
| Printing and Stationery | 246,929 | 270,694 |
| S T P I - Service Charges | 343,750 | 350,000 |
| Staff Training and Recruitment Expenses | 625,764 | 205,594 |
| Director's sitting fees | 40,000 | 42,000 |
| Managerial Remuneration | 1,344,000 | 1,260,000 |
| Auditor's Remuneration: | | |
| Statutory Audit | 82,725 | 82,725 |
| Tax Matters | 49,635 | - |
| Certification | 27,575 | 18,273 |
| Legal and Professional Services | 2,536,785 | 3,112,905 |
| Travelling and Conveyance | 2,320,428 | 3,548,587 |
| General Expenses | 2,197,055 | 2,147,439 |
| Electricity Charges | 3,672,421 | 1,221,861 |
| ISO Expenses | 30,386 | 55,150 |
| Security Service Charges | 2,008,171 | 1,994,632 |
| Foreign Exchange Loss (Net) | 2,464,066 | 10,528,860 |
| Donations | - | 178,789 |
| Loss on sale of Investments | 149,849 | - |
| Debit balances written off | -- | 52,677 |
| TOTAL | 35,361,405 | 35,570,068 |

SCHEDULE - 14: Notes on accounts

- 1) Significant accounting policies:
 - a) Financial statements are based on historical cost, convention and in accordance with generally accepted accounting practices.
 - b) The preparation of financial statements requires the management of the company to make certain estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of income and expenditure for the year.
 - c)
 - i) Tangible fixed assets are stated at cost net of depreciation provided.
 - ii) Intangible assets are stated at cost net of the amount amortized.
 - d) Depreciation on the tangible assets is provided on written down value method as per the rates prescribed and the manner laid down under schedule XIV to the companies Act, 1956. Intangible assets are amortized over their estimated useful life. Leasehold Land is amortized equally over the lease period. The lease rentals are charged to revenue.
 - e) Long-term investments are carried at cost. Provision for diminution, if any, in the value of each such investment is made to recognize a decline, other than that of temporary nature.
 - f) The contingent liabilities are indicated by way of a note and will be provided/ paid on crystallization.
 - g) Retirement benefits :
 - a. Defined Contribution Plan
Company's contribution paid/payable during the year to Provident Fund and Employees State Insurance Corporation are recognized in the Profit and Loss Account.
 - b. Defined Benefit Plan
Employees are eligible under Group Gratuity Scheme and Leave encashment. At the reporting date, Company's liability towards gratuity and Leave encashment is determined by independent actuarial valuation using the projected unit credit method which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Actuarial gain and losses are recognized immediately in the statement of the Profit and Loss Account as income or expense. Obligation is measured at the present value of estimated future cash flows using a discount rate that is determined by reference to market yields at the Balance Sheet date on Government Bonds where the currency and terms of the Government bonds are consistent with the currency and estimated terms of the defined benefit obligation.
 - h) Borrowing costs that are directly attributable to the acquisition/ construction of fixed assets are capitalized as part of the cost of such assets.
 - i) Sales include revenue recognized by the company under proportionate completion method as per the Accounting Standard –9 issued by Institute of Chartered Accountants of India for the services rendered and delivered as per the contracts entered.
 - j) Export sales in foreign currency are accounted for at the exchange rate prevailing at the time of sale. Gain/ Loss arising out of fluctuations in the exchange rate is taken to revenue on realization.
 - k) Impairment of Assets: The Company assesses at each Balance sheet date, whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset, if such recoverable amount of the asset or the recoverable amount of the cash generation unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.
 - l) Expenditure in foreign currency is accounted for at the exchange rate prevalent when such expenditure is incurred. Disbursements made out of foreign currency bank accounts are reported at a rate prevailing on the date of disbursement.
 - m) Prior year adjustments, extraordinary items and changes in accounting policies having material impact on the financial affairs of the company are disclosed.

- n) Current Assets and Current liabilities denominated in foreign currency are translated at the exchange rate prevalent at the date of balance sheet. The resulting difference is accounted for in the Profit and Loss account.
- o) Differed Tax assets and liabilities are recognized for future tax consequences attributable to the timing difference that results between the profits considered for income tax and the profit as per financial statements. Deferred tax assets and liabilities are measured as per the tax rates and laws that have been enacted or substantially enacted by the Balance Sheet date. However, deferred tax assets are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred asset can be realized.
2. The Land of one acre purchased by the company during the financial year 2005-06 was covered under Special Economic Zone vide notification No.S.O.565(E) Dt.11.04.2007 by Government of Andhra Pradesh. The company entered into lease agreement with Andhra Pradesh Industrial Infrastructure Corporation Limited for a period of 99 years on payment of Rs.1,000/- per annum towards lease rentals. As per the deed the company is given an option to reconvert the leasehold land to freehold land after a period of 10 year subject to the provisions of SEZ Act , 2005 and SEZ rules without any further payment.
Accordingly the Land, which is treated as freehold during earlier years has been shown as Leasehold Land.
3. As per the information available with the company none of the suppliers informed the company regarding their status as defined under the "Micro, Small and Medium Enterprises Development Act, 2006". Accordingly the information regarding the dues to such suppliers could not be furnished.
4. In terms of Accounting Standard 22 "Accounting for Taxes on income" (AS 22) issued by the Institute of Chartered Accountants of India, the Company has accounted for the deferred taxes during the year.

Major components of Deferred Tax on account of timing differences:

| Particulars | Amount Rs. |
|---|--------------------|
| Deferred Tax asset on account of depreciation | 1,46,72,524 |
| Deferred Tax asset on account of Provision for Gratuity & Leave Encashment | 1,90,458 |
| Net deferred tax Asset | <u>1,48,62,982</u> |

Under prudential concept, the Board of directors decided not to recognize the deferred tax asset.

5. Fixed Deposit for Rs.20,75,000/- (Previous year Rs.20,75,000/) are in lien with Bankers towards margin against guarantees issued by them.
6. As required by Accounting Standard (AS 28) "Impairment of Assets" issued by the Institute of Chartered Accountants of India, the management has carried out the assessment of impairment of assets and no impairment loss exists during the year.
7. a) In the opinion of the management, the Current Assets, Loans and Advances are expected to realize at least the amount at which they are stated, if realized in the ordinary course of business.
b) Sundry Debtors includes an amount of Rs.50,23,125/- (Previous year Rs.2,16,67,200/-) due from a wholly owned foreign subsidiary Company viz., SoftSol Resources Inc.
8. The Board of Directors of the company vide resolution dated 30th July 2009 approved buyback of 14,00,000 equity shares of Rs. 10/- each at a price not exceeding Rs.55/- per share and total cost of buyback is restricted to Rs. 7,00,00,000/-. During the year the company bought back 52,604 (Previous Year 9,85,708)equity shares at Rs. 28,78,854/- (Previous Year Rs.5,37,91,383/-)inclusive of premium of Rs. 23,52,814/-(Previous Year Rs.4,39,34,303/-). The premium of Rs.23,52,814/- is adjusted against share premium account and redemption reserve of Rs.5,26,040/- being the face value of shares bought back, created.
9. Managerial remuneration included under respective heads of account.

Whole Time Director:

| Particulars | Current Year | Previous Year |
|-----------------------------|-------------------------|-------------------------|
| Rs. | Rs. | |
| Remuneration | 13,44,000 | 12,60,000 |
| Provident Fund Contribution | <u>93,600</u> | <u>86,400</u> |
| Total | <u>14,37,600</u> | <u>13,46,400</u> |

(Above are grouped under respective heads)

| | As at 31.03.2011 Rs. | As at 31.03.2010 Rs. |
|---|---|----------------------------|
| 10. Contingent liabilities not provided for on account of: | | |
| a) Guarantees given by the bankers | 20,75,000 | 20,75,000 |
| b) Demands from Income Tax Department Disputed and pending before CIT appeals | 2,67,92,384 | 30,36,473 |
| | Current Year Rs. | Previous Year Rs. |
| 11. Value of imports calculated on C.I.F basis by the Company during the financial year in Respect of Capital goods | NIL | NIL |
| 12. Expenditure in foreign currency during the Year on account of traveling excluding Tickets purchased in India | 29,965 | 1,93,973 |
| 13. Contracts to be executed on account of Capital contracts | 1,20,00,000 | 1,45,00,000 |
| 14. Earnings in foreign currency on export of Software | 10,65,82,835 | 26,82,62,779 |
| 15. There are no separate reportable segments as per the accounting Standard -17 " Segmental Reporting " issued by the Institute of Chartered Accountants of India. | | |
| 16. The details of related party transactions in terms of Accounting Standard (AS) 18 are as follows: | | |
| i) Key Management Personnel Sri Madala Bhaskara Rao, Whole time Director | | |
| ii) a) Subsidiary | : M/s SoftSol Resources Inc USA (SRI) | |
| b) Associate | : M/s SoftSol Technologies Inc, USA (STI) | |

Transactions:

| Nature of relation | Remuneration | | Sales | |
|-------------------------|--------------|---------------|--------------|---------------|
| | Current Year | Previous Year | Current Year | Previous Year |
| Key Management personal | 14,37,600 | 13,46,400 | -- | -- |
| Subsidiary | -- | -- | 2,03,74,875 | 4,18,59,115 |
| Associate | -- | -- | 8,59,18,440 | 12,70,23,870 |

Receivables as at 31.03.2011 :

| Nature of relation | Current Year | Previous Year |
|--------------------|--------------|---------------|
| Amt. Rs. | Amt Rs. | Amt Rs. |
| Associate | 1,78,60,000 | 6,42,70,332 |
| Subsidiary | 50,23,125 | 2,16,67,200 |

17. Employee Benefits:

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

i) Profit and Loss account:

| | Current Year | | Previous year | |
|-------------------------|------------------|-------------|------------------|------------|
| | Leave encashment | Gratuity | Leave encashment | Gratuity |
| Current service cost | (34,907) | 14,79,612 | (2,07,539) | 14,45,634 |
| Interest cost | 64,943 | 2,91,698 | 21,432 | 2,27,440 |
| Actuarial Gain / (loss) | (89,282) | (16,29,441) | 9,99,374 | (7,70,946) |
| Net benefit expense | (59,240) | 1,41,869 | 8,13,267 | 9,02,128 |

ii) Balance Sheet:

| | Current Year | | Previous year | |
|--|------------------|-------------|------------------|------------|
| | Leave encashment | Gratuity | Leave encashment | Gratuity |
| Opening balance of benefit obligations | 10,36,334 | 37,01,562 | 3,12,735 | 28,68,375 |
| Current service cost | (34,907) | 14,79,612 | (2,07,539) | 14,45,634 |
| Interest cost | 64,943 | 2,91,698 | 21,432 | 2,27,440 |
| Actuarial Gain / loss | (89,282) | (16,29,441) | 9,99,374 | (7,70,946) |
| Benefits paid | (4,48,278) | (1,10,676) | (89,668) | (68,941) |
| Closing balance of benefit obligations | 5,27,816 | 37,32,755 | 10,36,334 | 37,01,562 |

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

Leave encashment:

| | |
|------------------------|-----------|
| Discount rate | 8% |
| Further salaries raise | 7% |
| Attrition Rate | 20% |
| Mortality | Lic 94-96 |
| Withdrawal | Ignored |

Gratuity:

| | |
|------------------------|-----------|
| Discount rate | 8% |
| Mortality | Lic 94-96 |
| Further salaries raise | 7% |
| Attrition Rate | 20% |

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

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

| | Current Year | Previous Year |
|--|---------------------|----------------------|
| i) Net Profit as per Profit and Loss Account Available for Equity Shareholders (Rs.) | 5,88,22,014 | 16,84,76,032 |
| ii) Number of Equity Shares | 1,76,03,396 | 1,76,65,000 |
| iii) Nominal value of the share (Rs.) | 10 | 10 |
| iv) Earning Per Share (Basic and Diluted) | 3.34 | 9.54 |

19. Previous year figures have been regrouped wherever necessary.

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

For and on behalf of the Board

D. Seetaramaiah
Partner

Bhaskar Rao Madala
Whole time Director

Dr. T. Hanuman Chowdary
Director

Place: Hyderabad
Date: 23-05-2011

B.S. Srinivasan
Director

C. Lalitha
Company Secretary

Balance Sheet Abstract & Company's General Business Profile
Schedule VI, Part IV, The Companies Act, 1956.

I. Registration Details:

Registration No. 11771 State Code: 01 Balance Sheet Date: 31.03.2011

II. Capital raised during the year**(Amount in Rs. Thousand)**

| | | | |
|--------------|-----|--------------------|-----|
| Public Issue | Nil | Right Issue: | Nil |
| Bonus Issus: | Nil | Private Placement: | Nil |

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

| | | | |
|--------------------|---------|---------------|---------|
| Total Liabilities: | 1822507 | Total Assets: | 1822507 |
|--------------------|---------|---------------|---------|

Sources of Funds

| | | | |
|------------------------|--------|---------------------|---------|
| Paid up Capital: | 180033 | Reserves & Surplus: | 1642473 |
| Secured Loans: | Nil | Unsecured Loans: | Nil |
| Deferred Tax Liability | Nil | | |

Application of Funds:

| | | | |
|---------------------|--------|--------------------|--------|
| Net Fixed Assets: | 396055 | Investments: | 953404 |
| Net Current Assets: | 473408 | Misc. Expenditure: | Nil |
| Accumulated Losses: | Nil | | |

IV. Performance of the Company

| | | | |
|-------------------------|--------|------------------------|--------|
| Turnover: | 199803 | Total Expenditure: | 125931 |
| Profit/Loss before Tax: | 73872 | Profit/Loss after Tax: | 58822 |
| Earning per Share: | 3.34 | Dividend Rate: | Nil |

V. Generic Names of Three Principle products/Services of Company**(As per monetary Terms)**

| | |
|---------------------------|----------------------|
| Item Code No. (ITC Code): | N.A |
| Product Description: | Software Development |

On behalf of the Board of Directors

Place : Hyderabad
Date: 23-05-2011

Bhaskar Rao Madala
Whole-time Director

SoftSol Resources Inc., USA

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

| Name of the Subsidiary Company | SoftSol Resources Inc., USA |
|--|--|
| 1. Financial Year of the Subsidiary ended on | December 31, 2010 |
| 2. Shares of Subsidiary Company held on the above date and extent of holding | |
| i) Number of Shares | 13,120 Ordinary Shares of USD 100 each |
| ii) Extent of holding | 100% |
| 3. Net Aggregate Amount of Profits / (Losses) of the Subsidiary for the above financial year so far as they concern Members of Soft Sol India Limited | |
| i) Dealt within the Accounts of SoftSol India Limited | Nil |
| ii) Not Dealt within the Accounts of SoftSol India Limited | USD 71,988 |
| 4. Net Aggregate Amount of Profits / (Losses) of the Subsidiary for the previous financial year so far as they concern Members of Soft Sol India Limited | |
| i) Dealt within the Accounts of SoftSol India Limited | Nil |
| ii) Not Dealt within the Accounts of Soft Sol India Limited | USD 41,766 |

For and on behalf of the Board
of SoftSol India Limited

Bhaskar Rao Madala
Whole - Time Director

Dr. T. Hanuman Chowdary
Director

Place: Hyderabad
Date: 23-05-2011

B.S. Srinivasan
Director

C. Lalitha
Company Secretary

SoftSol Resources Inc., USA

Board of Directors

Mr. Srinivasa Rao Madala President & CEO
Dr. Durga V.L.K. Madala Director

Registered Office

48383, Fremont Blvd,
Suite No. 116, Fremont,
California - 94538.
Tel No. (510) 824-2000,
Web site: www.softsolusa.com

Auditors

The Chugh Firm, AAC
An Accountancy Corporation
California, USA.

Board of Director's Report 2010

Dear Members

Your Directors take pleasure in presenting their report for the financial year 2010

The Financial Highlights :

(USD in 000's)

| Particulars | 2010 | 2009 |
|-------------------------|--------|--------|
| Total Revenue | 14,569 | 14,981 |
| Other Income | (15) | 64 |
| Total Operating Expense | 14,461 | 14,948 |
| Provision for Taxation | 21 | 55 |
| Net Profit | 72 | 42 |

Appreciation:

The Board places on record its thanks to Management, associates, vendors and other service providers for their continued commitment and support to the company.

Srinivasa Rao Madala
President and CEO
March 30, 2011

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying balance sheet of Softsol Resources, Inc. as of December 31, 2010, and the related statements of income, retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Softsol Resources, Inc as of December 31, 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The Schedules of Cost of Sales, Selling Expenses and General and Administrative Expenses are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Chugh Firm, AAC
Cerritos, CA 90703
March 30, 2011

SoftSol Resources Inc., USA

BALANCE SHEET AS OF DECEMBER 31, 2010

| | As of 31.12.2010 in USD | As of 31.12.2010 in Rs. | As of 31.12.2009 in USD |
|--|-------------------------------|-------------------------------|-------------------------------|
| 1USD = 44.65 | | | |
| Assets | | | |
| Current Assets | | | |
| Cash | 682,573 | 30,476,884 | 1,251,055 |
| Accounts Receivable | 2,433,369 | 108,649,926 | 2,104,419 |
| Less: Allowance for doubtful Accounts | (121,668) | (5,432,476) | (104,713) |
| Prepaid Federal Income Tax | 14,160 | 632,244 | 41,802 |
| Prepaid State Income Tax | 4,703 | 209,989 | 15,533 |
| Employee Advances | 11,491 | 513,073 | 1,870 |
| Prepaid Expenses | 108,914 | 4,863,010 | 51,954 |
| Deffered tax asset | 61,897 | 2,763,701 | 45,950 |
| Total Current Assets | 3,195,439 | 142,676,351 | 3,407,870 |
| Property & Equipment | | | |
| Property and Equipment | 337,029 | 15,048,345 | 426,197 |
| Less: Accumulated Depreciation | (248,433) | (11,092,533) | (318,503) |
| Total Property & Equipment | 88,596 | 3,955,811 | 107,694 |
| Other Assets | | | |
| Deferred Tax Assets | 3,323 | 148,372 | - |
| Refundable Deposits | 11,613 | 518,520 | 11,613 |
| Total Other Assets | 14,936 | 666,892 | 11,613 |
| Total Assets | 3,298,971 | 147,299,055 | 3,527,177 |
| Liabilities and Stock Holders equity | | | |
| Current Liabilities | | | |
| Account Payable | 974,334 | 43,504,013 | 1,252,295 |
| Deferred Tax Liability | - | - | 1,246 |
| Accrued Expenses and Other Liabilities | 21,795 | 973,147 | 42,781 |
| Total Current Liabilities | 996,129 | 44,477,160 | 1,296,322 |
| Total Liabilities | 996,129 | 44,477,160 | 1,296,322 |
| Stockholders Equity | | | |
| Common Stock, \$ 100 par, 1,000,000 shares authorised, 13,120 shares issued and outstanding | 1,312,000 | 58,580,800 | 1,312,000 |
| Retained Earnings | 990,842 | 44,241,095 | 918,855 |
| Total Stockholders Equity | 2,302,842 | 102,821,895 | 2,230,855 |
| Total Liabilities and Stockholders Equity | 3,298,971 | 147,299,055 | 3,527,177 |

SoftSol Resources Inc., USA

STATEMENT OF INCOME FOR THE YEAR ENDED - DECEMBER 31, 2010

| | As of 31.12.2010 in USD | As of 31.12.2010 in Rs. | As of 31.12.2009 in USD | |
|---|-------------------------------|-------------------------------|-------------------------------|--------------------|
| | 1USD = 44.90 | | | |
| Revenue | | | | |
| Consulting Income | 14,569,495 | 654,170,326 | 14,980,968 | |
| Total Revenue | 14,569,495 | 654,170,326 | 14,980,968 | |
| Cost of Sales | | | | |
| See Schedule 1-Analysis of Cost of Sales | (12,583,876) | (565,016,032) | (12,556,766) | |
| Gross Profit | 1,985,619 | 89,154,293 | 2,424,202 | |
| Operating Expenses | | | | |
| Selling Expenses | | | | |
| See Schedule 2-Analysis of Selling expenses | 897,266 | 40,287,243 | 695,194 | |
| General & Administrative Expenses | | | | |
| See Schedule 3-Analysis of G & A Expenses | 979,706 | 43,988,799 | 1,696,221 | |
| Total operating expenses | 1,876,972 | 84,276,043 | 2,391,415 | |
| Income from operations | 108,647 | 4,878,250 | 32,787 | |
| Other Income (Other Expenses) | | | | |
| Dividend Income | 8,222 | 369,168 | - | |
| Other Income | 41 | 1,841 | 64,113 | |
| Loss on disposal of equipment | (8,480) | (380,752) | - | |
| Loss on sale of marketable securities | (14,083) | (632,327) | - | |
| Fines and Penalties | (925) | (41,533) | - | |
| Interest Income | (9) | (404) | 100 | |
| Interest Expense | | | (107) | |
| Total Other Income | (15,234) | (684,007) | 64,106 | |
| Income from Operations before Income Taxes | 93,413 | 4,194,244 | 96,893 | |
| Provision for Income Taxes | | | | |
| Federal Income Tax-Current | 27,642 | 1,241,126 | 41,945 | |
| State Income Tax-Current | 14,300 | 642,070 | 18,946 | |
| Federal Income Tax-Deferred | (16,916) | (759,528) | (3,472) | |
| State Income Tax-Deferred | (3,601) | (161,685) | (2,292) | |
| Total Provision for Income Tax | 21,425 | 961,983 | 55,127 | |
| Net Income | 71,988 | 3,232,261 | 41,766 | |
| Earnings per Share (13,120 shares) | 5.49 | 246.50 | 3.18 | |
| Statement of Retained Earnings | | | | |
| | Common Stock | Retained Earnings | Total USD | Amount Rs. |
| Retained Earnings, January 1, 2010 | 1,312,000 | 918,855 | 2,230,855 | 99,607,676 |
| Net Income | - | 71,987 | 71,987 | 3,232,216 |
| Retained Earnings, December 31, 2010 | 1,312,000 | 990,842 | 2,302,842 | 102,839,892 |

SoftSol Resources Inc., USA

Schedule-1 Analysis of Cost of Sales

| | As of 31.12.2010 in USD | As of 31.12.2010 in Rs. | As of 31.12.2009 in USD |
|--------------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Consulting Outsourced | 7,038,092 | 316,010,331 | 4,782,015 |
| Consulting Outsourced-SIL | - | - | 930,000 |
| Consulting Bonus | 355,743 | 15,972,861 | |
| Holiday and Vacation pay-Consultants | 100,209 | 4,499,384 | |
| Salaries & Wages -Consultants | 4,308,130 | 193,435,037 | 5,890,088 |
| Taxes-Payroll-Consultants | 377,141 | 16,933,631 | 451,274 |
| Per Diem - consultant | 64,043 | 2,875,531 | 163,715 |
| Insurance Medical & Dental | 247,195 | 11,099,056 | 261,161 |
| Legal & Immigration-Consultants | 85,326 | 3,831,137 | 44,574 |
| Professional Development | - | - | 1,082 |
| Reimbursed Expenses | - | - | 28,267 |
| Travel-Consultancy | 7,997 | 359,065 | 4,590 |
| Total Cost of Sales | 12,583,876 | 565,016,032 | 12,556,766 |

Schedule-2 Analysis of Selling Expenses

| | As of 31.12.2010 in USD | As of 31.12.2010 in Rs. | As of 31.12.2009 in USD |
|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Salaries & Wages | 561,179,251,96,937 | 593,405 | |
| Taxes-Payroll | 50,365,226,1,389 | 40,563 | |
| Employees Bonus | 180,423 | 8,100,993 | - |
| Holiday and Vacation pay | 49,098 | 2,204,500 | - |
| Insurance Medical & Dental | 56,201 | 2,523,425 | 55,849 |
| Advertising & Promotion | - | - | 5,377 |
| Total Selling Expenses | 897,266 | 40,287,243 | 695,194 |

SoftSol Resources Inc., USA

Schedule-3 General & Administrative Expenses

| | As of 31.12.2010 in USD | As of 31.12.2010 in Rs. | As of 31.12.2009 in USD |
|--|-------------------------------|-------------------------------|-------------------------------|
| Auto Expenses | 8,791 | 394,716 | 17,864 |
| Bad debt Expenses | 19,265 | 864,999 | 239,547 |
| Bank Charges | 5,677 | 254,897 | 4,825 |
| Charitable Contribution | - | - | 25,416 |
| Depreciation | 24,340 | 1,092,866 | 42,679 |
| Dues & Publication | 1,450 | 65,105 | 6,392 |
| Employee Benefits | 21,805 | 979,045 | - |
| Equipment Rental | - | - | 1,914 |
| Fines & Penalties | - | - | 2,031 |
| Frieght & Postage | 6,845 | 307,341 | 11,695 |
| Internet Access & Web Hosting | - | - | 378 |
| Insurance | 46,186 | 2,073,751 | 93,260 |
| Janitorial | 8,246 | 370,245 | 10,114 |
| Meals & Entertainment | 13,496 | 605,970 | 35,289 |
| Miscellaneous Expenses | - | - | 621 |
| Moving Expenses | - | - | 3,000 |
| Office Expenses | 4,389 | 197,066 | 6,723 |
| Officers Salaries & Wages | 177,632 | 7,975,677 | 330,000 |
| Outside Services | 23,432 | 1,052,097 | 26,779 |
| Professional Fees | 96,188 | 4,318,841 | 134,806 |
| Professional Development | 3,346 | 150,235 | 3,065 |
| Promotional | 9,307 | 417,884 | - |
| Recruiting | 30,899 | 1,387,365 | 35,419 |
| Rent | 90,467 | 4,061,968 | 170,493 |
| Salraies & Wages | 164,892 | 7,403,651 | 214,004 |
| Repaires & Maintenance | 6,314 | 283,499 | 19,816 |
| Supplies | 27,440 | 1,232,056 | 32,173 |
| Taxes, Permits & Licenses | - | - | 14,936 |
| Taxes Payroll | 22,728 | 1,020,487 | 26,927 |
| Taxes-State Prior Year | 16,816 | 755,038 | 5,609 |
| Telephone | 86,227 | 3,871,592 | 53,964 |
| Travel | 30,412 | 1,365,499 | 74,675 |
| Staff welfare | - | - | 19,361 |
| Utilities | 33,116 | 1,486,908 | 32,446 |
| Total General & Administrative Expenses | 979,706 | 43,988,799 | 1,696,221 |

Statement of Cash Flow for the Year ended December 31, 2010

| | Year Ended 31.12.2010 in USD | Year Ended 31.12.2010 in Rs. | Year Ended 31.12.2009 in USD |
|---|------------------------------------|------------------------------------|------------------------------------|
| Cash Flows from Operating Activities | | | |
| Net Income | 71,987 | 3,214,220 | 41,766 |
| Adjustments to reconcile Net Income to Net Cash provided by Opertaions : | | | |
| Depreciation | 24,340 | 1,086,781 | 42,679 |
| Provision for Bad and Doubtful Accounts | 19,265 | 860,182 | 36,225 |
| Prior period adjustment | - | - | 6,782 |
| Loss on disposal of equipment | 8,480 | 378,632 | - |
| Changes in Operating Assets & Liabilities | | | |
| (Increase)/Decrease in Accounts Receivable | (331,260) | (14,790,759) | (15,739) |
| Decrease/(Increase) in Receivable Others | - | - | 22,629 |
| Increase in deferred tax assets | (19,271) | (860,450) | 13,986 |
| Increase in Pre paid Expenses | (56,960) | (2,543,264) | (7,356) |
| Decrease in Prepaid Expenses | 38,472 | 1,717,775 | - |
| (Increase) /Decrease in Employee Advances | (9,621) | (429,578) | 68,516 |
| Increase/(Decrease) in deferred tax liabilities | (1,247) | (55,679) | 1,247 |
| Increase in credit card payable | - | - | 15,969 |
| Decrease in Accounts Payable | (277,961) | (12,410,959) | 460,605 |
| Decrease in Accrued Liabilities | (20,985) | (936,980) | (182,124) |
| Decrease in Income Tax Payable | - | - | (122,683) |
| Net Cash Provided by (used in) Operating Activities | (554,761) | (24,770,079) | 382,502 |
| Cash Flow from Investing Activities: | | | |
| Acquisition of equipment | (17,896) | (799,056) | (74,456) |
| Proceeds from property disposal | 4,175 | 186,414 | - |
| Investment in Securities | - | - | 203,322 |
| Net Cash provided by (used in) Investing Activities | (13,721) | (612,643) | 128,866 |
| Net Increase (Decrease) in Cash & Cash Equivalents | (568,482) | (25,382,721) | 511,368 |
| Cash & Cash Equivalents at the Beginning of the Year | 1,251,055 | 55,859,606 | 739,688 |
| Cash & Cash Equivalents at the end of the year | 682,573 | 30,476,884 | 1,251,056 |
| Supplementary Disclosure | | | |
| Interest paid during the year | - | - | 107 |
| Income Tax paid during the year | 3,870 | 172,796 | 167,118 |

Notes to Financial Statements (Dec 31st, 2010)

Note - 1 - Nature of Business

SoftSol Resources, Inc. (the "Company" or "SRI") was incorporated in the state of California on January 11, 1993. It is a provider of E-commerce, network technology, internet infrastructure and other special technology areas. Its IT services include application development, system integration, IT consulting and staffing, IT project management, domestic and offshore outsourcing. SoftSol has diverse client-based ranging from large customers to small high-tech start up companies. The Company's vision is to create a global enterprise by taking a leading role in the revolution in Information Technology to provide highly competent and innovative software solutions.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The Company uses the accrual method of accounting for both financial and income tax reporting.

Use of Estimates

The preparation of financial statements and related disclosures in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the period reported. Actual results could differ from those estimates. Estimates are used in accounting for, among other things, allowances for uncollectible receivables, depreciation, employee benefits, taxes, restructuring reserves and contingencies. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the Financial Statements in the period they are determined to be necessary.

Cash

Cash consist of cash in Bank. Occasionally, the Company has cash deposited in a financial institutions in excess of federally insured limits.

Accounts Receivable

The company uses the Aging of the Accounts Receivable method for valuation of allowance for bad debts. Accordingly, accounts Receivable represents the net realizable value.

Property and Equipment

Property and Equipments are stated at cost. Depreciation is provided principally on a straight-line method over the estimated useful lives of the assets. Estimated useful lives are as follows:

| | |
|---------------------------------|----------------|
| Furniture & Fixtures | 7 years |
| Office Equipment | 5 years |
| Automobile | 5 years |

The cost of significant additions and replacement of components is capitalized and depreciated while expenditures for maintenance and repairs are charged to expense as incurred. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the books and the resulting gain or loss is reflected in the determination of net income or loss. Depreciation expense for the year ended December 31, 2010 was \$ 24,340.

Long-Lived Assets

The Company accounts for the impairment and disposition of long-lived assets in accordance with FASB ASC No. 360 (formerly SFAS No. 144), Accounting for the Impairment or Disposal of Long-Lived Assets. ASC No. 360 requires that long-lived assets be reviewed for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable.

Revenue Recognition

The Company derives revenues from consulting projects which are billed by actual time and expenses incurred. Revenues are recognized on the accrual basis as services are rendered.

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

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

Income Taxes

The Company accounts for income taxes in accordance with FASB ASC No. 740 (formerly SFAS No. 109)", which requires an asset and liability approach to financial accounting and reporting of income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in future based on the enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized.

Financial Accounting Standards Boards issued FIN 48 now known as ASC No. 740-10 " Accounting for Uncertainty in Income Taxes" recognizes the tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

The Company's income tax filings are subject to audit by various taxing authorities. The Company's open audit periods are 2007-2009. In evaluating the Company's tax provisions and accruals, future taxable income, and the reversal of temporary differences, interpretations and tax planning strategies are considered. The Company believes their estimates are appropriate based on current facts and circumstances

Earnings per share

In accordance with the provisions of FASB ASC No. 260 (Formerly SFAS 128), "Earnings per share", basic earnings per share is computed on the basis of the weighted average number of shares outstanding during the period. There are no dilutive securities, both the basis and dilutive earnings per share amount are the same.

SoftSol Resources Inc., USA

Advertising Costs

The cost of advertising is charged to expense as incurred.

Note 3 - Concentration of Risk

Cash

Cash is maintained with one major financial institutions in the United States. Deposits with this banks exceed the amount of the \$250,000 Federal Deposit Insurance Corporation (FDIC) insurance provided on such deposits.

Accounts Receivable and Sales

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

The Company's sales to its major customer, Cisco totaled \$6.5 million that accounted for 44% of the company's total revenue for the year. Accounts Receivable from Cisco as of December 31, 2010 is \$1.2 million which is 50% of total accounts receivable

Note 4 - Employee Advances

The advances given to employees are for travel related expenses to which the employees are required to present documentation and any amount not substantiated is refunded to the Company. As of December 31, 2010, the employee advances has balance of \$ 11,491.

Note 5 - Related Party Transactions

The Company is wholly owned by SoftSol India Limited (also known as SIL India), an Indian based company.

Softsol Technologies, Inc. (known as STI and formerly Medsoft, Inc.), a Nevada Corporation is owned by Mrs. Durga Madala, spouse of Mr. Srinivasa Rao Madala, the Company CEO. The Company has entered into professional services agreement with Softsol Technologies, Inc., Softsol India Limited and TDK, LLC. The Company also subleases it offices space to STI and TDK, LLC.

Related party transactions were consumated on terms equivalent to those that prevail in arm's length transactions.

Details of transactions between the Company and its related parties for the year ended December 31, 2010 are follows:

| Softsol Technologies Inc. | Amount |
|----------------------------------|---------------|
| Consulting Income | \$1,403,600 |
| Accounts Receivable | 445,669 |
| Rental and Administrative Income | 102,000 |

| Softsol India Limited | Amount |
|------------------------------|---------------|
| Consulting Outsourced | \$487,500 |
| Accounts Payable | 112,500 |

| TDK, LLC | Amount |
|----------------------------------|---------------|
| Consulting Income | \$340,154 |
| Rental and Administrative Income | 16,000 |

Note 6 - Commitments and Operating Lease

The Company had entered in agreement with Dollinger-Fremont Associates to lease 11,730 square feet office located at 48383 Fremont Boulevard, Fremont, California on December 1,2005. The sublease had initial terms of 5 years, expired on April 30, 2008 and was renewed for another 5 years. New lease agreement will expires on April 30, 2013.

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

| Year | Amount |
|-------------|---------------|
| 2011 | \$ 133,722 |
| 2012 | 137,945 |
| 2013 | 46,451 |

Rent expense totaled \$ 90,467 for the year ended December 31, 2010.

Note 7 - Income Taxes

The company accounts for income taxes under the provisions of FA SB ASC 740, "Accounting for Income Taxes". Under ASC 740, deferred taxes are required to be classified based on the financial statement classification of the related assets and liabilities which give rise to temporary differences. Deferred taxes result from temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities.

All of the income before tax as shown in the Statement of Income for the year ended December 31,2010 is derived in the United States.

The components of income tax expense (benefit) relating to earning from operations for the year ended December 31, 2010 are as follows:

| | Current | Deferred | Total |
|---------|-----------|------------|-----------|
| State | \$ 14,300 | \$ (3,601) | \$ 10,699 |
| Federal | 27,642 | (16,916) | 10,726 |
| Total | 41,942 | (20,517) | 21,425 |

The components of deferred tax assets as at December 31, 2010 are as follows:

Deferred tax assets - Current

| | |
|-----------------------------|----------|
| Capital loss | \$ 5,492 |
| Bad debt | 47,451 |
| State income tax - current | 4,290 |
| State income tax - deferred | 4,664 |
| | <hr/> |
| | 61,897 |

SoftSol Resources Inc., USA

Deferred tax assets - Noncurrent

| | |
|------------------------|-----------|
| Depreciation - Federal | 3,330 |
| Depreciation - State | (7) |
| | <hr/> |
| | 3,323 |
| Valuation Allowance | - |
| | <hr/> |
| Net deferred tax asset | \$ 65,220 |

Note 8 - Vacation Leave

Since year 2005, the employees are no longer entitled to paid vacation leave. All accrued vacation has been paid.

Note 9 - Employee Pension Plan

The Company had a 401 (K) plan known as the SoftSol Resources & MedSoft, Inc. 401 (K) plan (the "Plan") which was terminated on December 31, 2001.

A new 401 (k) plan known as Softsol Resources Inc. 401(k) Plan (Plan no. 7113353) was adapted effective October 1, 2005. The Plan is available to eligible employees through payroll deductions within statutory and plan limits. There is no matching contribution from the employer. Total accumulated contribution as of December 31, 2010 was \$1,896 and is payable to participants.

Note 10 - Flexible Spending

The Company has a voluntary flexible spending plan wherein a certain amount of money opted by the employee at the beginning of the plan year to be deducted from employee's payroll every month. Contributed amount will be used to reimburse the employees for their eligible medical expenses and childcare expenses. The Company has \$14,973 as accumulated contributions into this account as of December 31, 2010.

Note 11 - Stockholders' Equity

The Company is authorized to issue upto 1,000,000 shares of its common stock, of which 13,120 shares were issued and outstanding. Softsol India Limited owns all these 13,120 shares.

Note 12 - Contingencies

There are no pending legal actions, including arbitrations, class actions and other litigation, arising in connection with the Company's activities as IT consultants. Legal reserves will be established in accordance with FASB ASC 450 (formerly known as SFAS No. 5), "Accounting for Contingences". Once established, reserves are adjusted when there is more information available or when an event occurs requiring a change. There are no legal reserves in the statement of financial condition as of December 31, 2010.

Note 13 - Subsequent Events

Subsequent events have been evaluated through March 30, 2011, which is the date the financial statements were available to be issued.

Auditor's Report On Consolidated Financial Statements

To,
The Shareholders of
SOFTSOL INDIA LIMITED
Hyderabad

We have examined the attached consolidated Balance Sheet of M/s. SoftSol India Limited (“the Company”) and its subsidiary as at 31st March,2011 and also the Consolidated Profit & Loss Account for the year then ended annexed thereto and the Consolidated Cash Flow Statement for the year ended on that date annexed 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.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provided a reasonable basis for our opinion.

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

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

In our opinion and to the best of our information and according to explanations given to us, the consolidated financial statements give a true and fair view in conformity with accounting principles generally accepted in India:

- a) In the case of the Consolidated Balance Sheet, of the Consolidated state of affairs of the company as at 31st March 2011.
- b) In the case of the Consolidated Profit and Loss account of the company and its subsidiary for the year ended on that date; and
- c) In the case of the Consolidated Cash Flow Statement, of the Consolidated Cash Flows of the Company and its subsidiary for the year then ended.

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

Place : Hyderabad
Date : 23-05-2011

D.Seetharamaiah
Partner
Membership No:2907

CONSOLIDATED BALANCE SHEET AS AT 31st MARCH 2011

| Particulars | Schedule No. | As At 31st March 2011 (in Rupees) | As At 31st March 2010 (in Rupees) |
|---|-----------------|---|---|
| I SOURCES OF FUNDS | | | |
| 1. Shareholder's funds | | | |
| (a) Capital | 01 | 180,033,070 | 180,559,110 |
| (b) Reserves and Surplus | 02 | 1,686,714,985 | 1,627,481,806 |
| TOTAL | | <u>1,866,748,055</u> | <u>1,808,040,916</u> |
| II APPLICATION OF FUNDS | | | |
| 1. Fixed Assets | | | |
| a) Gross Block | 03 | 1,447,021,567 | 1,317,969,642 |
| Less: Depreciation | | <u>165,818,558</u> | <u>145,262,380</u> |
| b) Net Block | | 1,281,203,009 | 1,172,707,262 |
| Add: I) Capital Work In Progress | | 13,631,399 | 76,248,655 |
| ii) Unallocated Capital Expenditure | 04 | <u>-</u> | <u>2,715,980</u> |
| | | <u>1,294,834,408</u> | <u>1,251,671,897</u> |
| 2. Investments | 05 | <u>-</u> | <u>180,000</u> |
| 3. Current Assets, Loans and Advances | | | |
| Sundry debtors | 06 | 121,077,449 | 154,537,061 |
| Cash and bank balances | 07 | 453,408,737 | 398,049,020 |
| Loans and advances | 08 | <u>99,430,936</u> | <u>95,724,703</u> |
| | | 673,917,122 | 648,310,784 |
| Less : Current Liabilities and Provisions | 09 | <u>102,003,475</u> | <u>92,121,765</u> |
| Net Current Assets | | <u>571,913,647</u> | <u>556,189,019</u> |
| TOTAL | | <u>1,866,748,055</u> | <u>1,808,040,916</u> |
| NOTES ON ACCOUNTS | 14 | | |
| Schedules, Accounting policies and Note On accounts forms an integral part of Balance Sheet | | | |

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

For and on behalf of the Board

D. Seetaramaiah
Partner

Bhaskar Rao Madala
Whole time Director

Dr. T. Hanuman Chowdary
Director

Place: Hyderabad
Date: 23-05-2011

B.S. Srinivasan
Director

C. Lalitha
Company Secretary

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2011

| Particulars | Schedule No. | Current Year (in Rupees) | Previous Year (in Rupees) |
|---|--------------|--------------------------|---------------------------|
| INCOME | | | |
| Software Exports (off shore) | | 740,378,286 | 946,668,391 |
| Other Income | 10 | 93,591,412 | 80,333,004 |
| | | 833,969,698 | 1,027,001,395 |
| EXPENDITURE | | | |
| Personnel Cost | 11 | 373,923,012 | 472,411,737 |
| Operation and other expenses | 12 | 356,939,093 | 319,439,582 |
| | | 730,862,105 | 791,851,319 |
| PROFIT BEFORE INTEREST, DEPRECIATION AND TAXES | | 103,107,593 | 235,150,076 |
| Finance Charges | 13 | 107,598 | 88,289 |
| Depreciation/Amortisation | 03 | 24,933,737 | 28,475,548 |
| PROFIT BEFORE TAXES | | 78,066,258 | 206,586,239 |
| Provision for Taxation | | | |
| Current Income tax | | 16,933,196 | 37,925,813 |
| Deferred tax | | (921,213) | (2,148,389) |
| PROFIT FOR THE YEAR AFTER TAXATION | | 62,054,275 | 170,808,815 |
| Add: Balance brought forward from previous year | | 836,662,039 | 669,541,179 |
| Amount available for appropriation | | 898,716,314 | 840,349,994 |
| Appropriations: | | | |
| Capital Redemption reserve | | 526,040 | 9,857,080 |
| SURPLUS CARRIED TO BALANCE SHEET | | 898,190,274 | 830,492,914 |
| Earning Per Share (Basic & Diluted) | | 3.51 | 9.67 |
| NOTES ON ACCOUNTS | | | |
| Schedules, Accounting policies and Note on accounts forms an integral part of Balance Sheet | 14 | | |

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

For and on behalf of the Board

D. Seetaramaiah
Partner

Bhaskar Rao Madala
Whole time Director

Dr. T. Hanuman Chowdary
Director

Place: Hyderabad
Date: 23-05-2011

B.S. Srinivasan
Director

C. Lalitha
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2011

| | (Rs. In Lakhs) | |
|--|---|---|
| | Year ended 31-03-2011 (In Rupees) | Year ended 31-03-2010 (In Rupees) |
| A CASH FLOW FROM OPERATING ACTIVITIES : | | |
| Net profit before Tax and Extraordinary Items | 770.86 | 2,034.90 |
| Adjustments for : | | |
| Depreciation | 249.28 | 283.51 |
| Prior Period Adjustment | - | 3.06 |
| Provision for bad and doubtful debts | 8.60 | 16.35 |
| Interest (Net) | (226.56) | (216.74) |
| Loss on disposal of equipment | 3.79 | - |
| Loss on sale of Investments | 1.50 | - |
| Provision for Leave Encashment | (5.09) | 7.24 |
| Provision for Gratuity | 0.31 | 8.33 |
| Excess Provision Written back | (9.58) | - |
| Credit Balances Written back | - | 0.01 |
| Operating Profit before working Capital changes | 793.12 | 2,136.66 |
| Adjustments for Working Capital : | | |
| Trade and other receivables | (90.35) | (4.49) |
| Trade and other payables | 706.41 | 166.68 |
| Inventories | - | 33.40 |
| Net Cash generated from operations | 1,409.18 | 2,332.25 |
| Direct Taxes Paid | (308.17) | (304.75) |
| Net Cash flow from Operating Activities | 1,101.01 | 2,027.50 |
| B CASH FLOW FROM INVESTING ACTIVITIES : | | |
| Interest Received | 167.80 | 207.15 |
| Dividend Paid | (0.73) | (0.68) |
| Purchase of Fixed Assets | (680.65) | (548.20) |
| Sale of Fixed Assets | 1.86 | - |
| Sale of Investments | 0.30 | - |
| Purchase of Investments | - | 91.78 |
| Net Cash flow from Investing Activities | (511.42) | (249.95) |
| C CASH FLOW FROM FINANCING ACTIVITIES : | | |
| Extraordinary Items : Buy Back of Equity Shares | (28.79) | (537.92) |
| Interest Paid | (1.07) | (0.83) |
| Net Cash flow from Financing Activities | (29.86) | (538.75) |
| Net Increase in Cash and Cash Equivalents | 559.73 | 1,238.80 |
| Cash and Cash Equivalents as at beginning of the year | 3,974.36 | 2,741.68 |
| Closing Cash and Cash Equivalents | 4,534.09 | 3,980.47 |

For M/s. Brahmayya & Co.

For and on behalf of the Board

Chartered Accountants

D. Seetaramaiah
PartnerBhaskar Rao Madala
Whole time DirectorDr. T. Hanuman Chowdary
DirectorPlace: Hyderabad
Date: 23-05-2011B.S. Srinivasan
DirectorC. Lalitha
Company Secretary

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR
ENDED 31st MARCH 2011

| Particulars | As at 31.03.2011 (in Rupees) | As at 31.03.2010 (in Rupees) | | |
|---|-------------------------------------|------------------------------------|--------------------|-------------------------------------|
| 01. SHARE CAPITAL | | | | |
| Authorised | | | | |
| 50,000,000 Equity Shares of Rs.10/- each | 500,000,000 | 500,000,000 | | |
| Issued | | | | |
| 19,681,430 Equity Shares of Rs. 10/-each | 196,814,300 | 196,814,300 | | |
| Subscribed | | | | |
| 19,455,630 Equity shares of Rs. 10/- each | 194,556,300 | 194,556,300 | | |
| Paid Up Capital | | | | |
| 1,75,89,296 (Previous Year 1,76,41,900) | 175,892,960 | 176,419,000 | | |
| Equity shares of Rs.10/- each fully paid up (During the year 52,604 equity shares of Rs.10/- each bought back) | | | | |
| 28,200 Equity shares of Rs.10/- each and Rs.5/- each paid up | 141,000 | 141,000 | | |
| | 176,033,960 | 176,560,000 | | |
| Add: Forfeited shares (amount originally paid up) | | | | |
| 799,822 Equity shares of Rs. 5/- each | 3,999,110 | 3,999,110 | | |
| TOTAL | 180,033,070 | 180,559,110 | | |
| 02. RESERVES AND SURPLUS | | | | |
| | Balance as at 31.03.2010 | Additions | Deletions | Balance as at 31.03.2011 |
| Securities Premium Account | 713,946,427 | - | 2,352,814 | 711,593,613 |
| General Reserve | 72,810,498 | - | - | 72,810,498 |
| Capital redemption Reserve | 9,857,080 | 526,040 | - | 10,383,120 |
| Foreign Currency Transilation Reserve (Arising on Consolidation) | 374,887 | - | 6,637,407 | (6,262,520) |
| Surplus: Balance in Profit and Loss Account | 830,492,914 | 898,190,274 | 830,492,914 | 898,190,274 |
| TOTAL | 1,627,481,806 | 898,716,314 | 839,483,135 | 1,686,714,985 |
| 05 . INVESTMENTS | | | | |
| (At cost, Non-trade, Long -term, unquoted) | | | | |
| Government Securities | | | | |
| National Saving certificates | | | - | 6,000 |
| Investments of subsidiary | | | | |
| Investments in Equity Shares in Tierra Infra Private Limited | | | - | 174,000 |
| 1,74,000 Equity Shares of Rs. 1/- each | | | | |
| TOTAL | | | - | 180,000 |

03. FIXED ASSETS

| NAME OF THE ASSETS | GROSS BLOCK AS AT 31.03.2011 (in Rupees) | ACCUMULATED DEPRECIATION (in Rupees) | NET BLOCK AS AT 31.03.2011 (in Rupees) |
|--------------------------------|--|--|--|
| Tangible fixed assets | | | |
| Land | 13,918,307 | -- | 13,918,307 |
| Leasehold Land | 5,540,142 | 167,883 | 5,372,259 |
| Building | 291,017,459 | 45,188,990 | 245,828,469 |
| Computers | 8,275,360 | 7,597,179 | 678,181 |
| Computers - Imported | 21,802,444 | 20,208,485 | 1,593,959 |
| Air Condition System | 51,024,116 | 16,496,635 | 34,527,481 |
| Generator | 13,993,474 | 5,521,675 | 8,471,799 |
| Lift | 7,213,985 | 2,959,859 | 4,254,126 |
| UPS | 3,954,053 | 1,632,938 | 2,321,115 |
| Furniture & Fixtures | 47,741,971 | 22,600,956 | 25,141,015 |
| Electrical Installation | 38,948,258 | 16,342,279 | 22,605,979 |
| Office Equipment | 10,548,250 | 4,874,878 | 5,673,372 |
| Office Equipment - Imp | 463,645 | 342,279 | 121,366 |
| Net working equipment | 5,032,728 | 1,403,938 | 3,628,790 |
| Fire Fighting Equipment | 4,898,439 | 527,887 | 4,370,552 |
| Sewage Treatment Equipment | 645,000 | 7,866 | 637,134 |
| Canteen Equipment | 91,746 | 80,535 | 11,211 |
| Motor & Borewell | 99,794 | 85,054 | 14,740 |
| Vehicles | 9,625,044 | 6,727,610 | 2,897,434 |
| Xerox Machine - Imp | 195,685 | 159,127 | 36,558 |
| Library | 18,592 | 16,097 | 2,495 |
| Subsidiary's assets | 15,048,345 | 11,092,533 | 3,955,812 |
| Intangible fixed assets | | | |
| Good Will | 894,823,253 | -- | 894,823,253 |
| Software | 2,101,477 | 1,783,875 | 317,602 |
| TOTAL | 1,447,021,567 | 165,818,558 | 1,281,203,009 |

| Particulars | As at 01.04.2010 (in Rupees) | As at 31.03.2011 (in Rupees) |
|--|------------------------------------|------------------------------------|
| 04. UNALLOCATED CAPITAL EXPENDITURE | | |
| Stores and Spares | 3,510 | -- |
| Repairs & Maintenance | 148,206 | -- |
| Bank Charges | 30,991 | -- |
| Travelling & Conveyance | 303,277 | -- |
| Legal & Professional Charges | 2,082,443 | -- |
| Printing & Stationary | 2,253 | -- |
| Rent | 95,300 | -- |
| General Expenses | 50,000 | -- |
| TOTAL | 2,715,980 | -- |

| Particulars | As at 31.03.2011 (in Rupees) | As at 31.03.2010 (in Rupees) |
|------------------------------------|------------------------------------|------------------------------------|
| 06. SUNDRY DEBTORS | | |
| (Unsecured, Considered Good) | | |
| Debts due over six months | -- | -- |
| Other debts | 121,077,449 | 154,537,061 |
| Less: Allowance for doubtful debts | -- | -- |
| TOTAL | 121,077,449 | 154,537,061 |

07. CASH AND BANK BALANCES

| | | |
|-------------------------------|--------------------|--------------------|
| Cash in hand | 130,485 | 232,519 |
| Balance with scheduled banks: | | |
| Current Accounts | 98,224,667 | 161,381,943 |
| Unpaid Dividend Accounts | - | 73,188 |
| Fixed Deposits | 355,053,585 | 236,361,370 |
| TOTAL | 453,408,737 | 398,049,020 |

08. LOANS AND ADVANCES

| | | |
|--|-------------------|-------------------|
| (Unsecured, considered good, recoverable in cash or in kind or for value to be received) | | |
| Inter Corporate Loans including interest accrued thereon | 2,153,537 | 2,068,628 |
| Advances for : Capital Works | 32,588,058 | 48,110,287 |
| Expenses | 45,000 | -- |
| Advance paid for bought back of shares | - | 2,758,617 |
| Deposits recoverable | 3,844,982 | 3,838,673 |
| Rent Receivable | 7,163,045 | 10,429,341 |
| Staff Advances | 513,073 | 84,412 |
| Prepaid Expenses | 5,835,979 | 2,847,726 |
| Advance Income Tax & TDS (Net of Provisions) | 24,749,822 | 9,927,011 |
| Interest Accrued | 11,575,367 | 5,592,069 |
| Differed tax asset | 2,912,073 | 2,017,939 |
| MAT Credit Receivable | 8,050,000 | 8,050,000 |
| TOTAL | 99,430,936 | 95,724,703 |

| Particulars | As at 31.03.2011 (in Rupees) | As at 31.03.2010 (in Rupees) |
|---|--------------------------------------|--------------------------------------|
| 09. CURRENT LIABILITIES AND PROVISIONS | | |
| A. Current Liabilities | | |
| Creditors for : Capital Goods | 5,444,840 | 2,084,687 |
| : Trade Payables | 38,480,888 | 34,861,396 |
| : Expenses | 1,877,220 | 3,109,930 |
| : Other Finance | 895,555 | 4,899,670 |
| Deposits Refundable | 51,044,402 | 42,354,998 |
| Unclaimed Dividend | - | 73,188 |
| (not due for remittance to Investor Education and protection fund) | | |
| B. Provisions | | |
| Provision for Gratuity | 3,732,755 | 3,701,562 |
| Provision for Leave Encashment | 527,815 | 1,036,334 |
| TOTAL | 102,003,475 | 92,121,765 |
| Particulars | Current Year (in Rupees) | Previous Year (in Rupees) |
| 10. OTHER INCOME | | |
| Interest earned (Others, gross) | 22,762,841 | 21,760,631 |
| T D S : Current year Rs.30,65,705/- : previous year Rs.13,11,459/- | | |
| Rents Received | 66,796,462 | 55,144,082 |
| Dividends | 369,168 | - |
| Foreign Exchange Gain | 2,703,092 | - |
| Excess provision /Credit Balance Written Back | 958,008 | 1,200 |
| Miscellaneous receipts | 1,841 | 3,101,163 |
| Prior period Adjustment | - | 325,928 |
| TOTAL | 93,591,412 | 80,333,004 |
| 11. PERSONNEL COST | | |
| Salaries, Wages and Bonus | 366,245,915 | 462,934,622 |
| Contribution to provident and other funds | 2,394,170 | 2,807,513 |
| Staff welfare Expenses | 4,609,589 | 5,767,474 |
| Gratuity | 673,338 | 902,128 |
| TOTAL | 373,923,012 | 472,411,737 |
| 13. FINANCE CHARGES | | |
| Interest on Fixed Loans | 107,598 | 88,289 |
| TOTAL | 107,598 | 88,289 |

| Particulars | Current Year (In Rupees) | Previous Year (In Rupees) |
|---|-----------------------------|------------------------------|
| 12. OPERATION AND OTHER EXPENSES | | |
| Rent | 4,221,301 | 8,309,344 |
| Taxes and Licenses | 3,724,434 | 4,111,463 |
| Insurance | 2,342,624 | 4,744,136 |
| Repair and Maintenance to : | | |
| Equipment | 488,675 | 2,158,675 |
| Buildings | 3,312,004 | 644,647 |
| Others | 5,854,282 | 5,111,968 |
| Advertisement | 127,317 | 128,149 |
| Commission | 2,877,417 | - |
| Communication Costs | 4,850,580 | 1,251,651 |
| Soft Link Charges | 2,191,624 | 4,069,781 |
| Printing and Stationery | 312,034 | 270,694 |
| STPI - Service Charges | 343,750 | 350,000 |
| Staff Training and Recruitment Expenses | 2,013,129 | 1,907,477 |
| Director's sitting fees | 40,000 | 42,000 |
| Managerial Remuneration 1,344,000 | 1,260,000 | |
| Auditor's Remuneration : | | |
| Statutory Audit | 82,725 | 82,725 |
| Tax Matters | 49,635 | - |
| Certification | 27,575 | 18,273 |
| Legal and Professional Charges | 8,057,958 | 11,024,337 |
| Travelling and Conveyance | 3,685,927 | 7,280,871 |
| Consulting outsourced | 295,635,456 | 233,032,421 |
| General Expenses | 4,898,778 | 6,645,688 |
| Bank Charges | 254,897 | 231,841 |
| Electricity Charges | 3,672,421 | 1,221,861 |
| ISO Expense | 30,386 | 55,150 |
| Security Service Charges | 2,008,171 | 1,994,632 |
| Foreign Exchange Loss (Net) | 2,464,066 | 10,528,860 |
| Donations | - | 1,400,028 |
| Investments Written off Account | 149,849 | - |
| Debit Balance Written off - | 52,677 | |
| Loss on disposal of equipment | 380,752 | - |
| Loss on sale of Investment | 632,327 | - |
| Baddebts | 864,999 | 11,510,233 |
| TOTAL | 356,939,093 | 319,439,582 |

SCHEDULE-14: Notes to accounts

1. Consolidated Financial Statements have been prepared to meet the requirements of Clause 32 of the Listing Agreement with the Stock Exchange.

a) Basis of Consolidation:

The Consolidation of accounts is done in accordance with the requirements of the accounting standard (AS 21) "Consolidation of financial Statements" issued by the Institute of Chartered Accounts of India. Financial statements of subsidiaries were prepared for the year ended 31st December 2010 and the same have been adopted for consolidation.

b) Companies included in Consolidation:

The Consolidated Financial statement include the financial statement of softsol India limited and its subsidiary i.e. softsol Resources Inc. USA, A wholly owned subsidiary incorporated in United State of America.

c) Principles of Consolidation:

The Consolidated Financial statements have been prepared based on a line by line consolidation of profit and loss account and balance sheet. All inter company balance and transactions are eliminated on consolidation.

2. Significant accounting policies:

a) Financial statements are based on historical cost, convention and in accordance with generally accepted accounting practices.

b) The preparation of financial statements requires the management of the company to make certain estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to the contingent liabilities as at the date of the financial statements and reported amounts of income and expenditure for the year.

c) i) Tangible fixed assets are stated at cost net of depreciation provided.

ii) Intangible assets are stated at cost net of the amount amortized.

d) Depreciation on the tangible assets is provided on written down value method as per the rates prescribed and the manner laid down under schedule XIV to the companies Act, 1956. Intangible assets are amortized over their estimated useful life. Leasehold Land is amortized equally over the lease period. The lease rentals are charged to revenue.

e) Long-term investments are carried at cost. Provision for diminution, if any, in the value of each such investment is made to recognize a decline, other than that of temporary nature.

f) The contingent liabilities are indicated by way of a note and will be provided/ paid on crystallization.

g) Retirement benefits :

a. Defined Contribution Plan

Company's contribution paid/payable during the year to Provident Fund and Employees State Insurance Corporation are recognized in the Profit and Loss Account.

b. Defined Benefit Plan

Employees are eligible under Group Gratuity Scheme and Leave encashment. At the reporting date, Company's liability towards gratuity and Leave encashment is determined by independent actuarial valu-

ation using the projected unit credit method which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Actuarial gain and losses are recognized immediately in the statement of the Profit and Loss Account as income or expense. Obligation is measured at the present value of estimated future cash flows using a discount rate that is determined by reference to market yields at the Balance Sheet date on Government Bonds where the currency and terms of the Government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

- h) Borrowing costs that are directly attributable to the acquisition/ construction of fixed assets are capitalized as part of the cost of such assets.
 - i) Sales include revenue recognized by the company under proportionate completion method as per the Accounting Standard-9 issued by Institute of Chartered Accountants of India for the services rendered and delivered as per the contracts entered.
 - j) Export sales in foreign currency are accounted for at the exchange rate prevailing at the time of sale. Gain/Loss arising out of fluctuations in the exchange rate is taken to revenue on realization.
 - k) Impairment of Assets: The Company assesses at each Balance sheet date, whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset, if such recoverable amount of the asset or the recoverable amount of the cash generation unit to which the asset belongs is less than it's carrying amount, the carrying amount is reduced to it's recoverable amount. The reduction is treated as an impairment loss and is recognized in the Profit and loss account. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.
 - l) Expenditure in foreign currency is accounted for at the exchange rate prevalent when such expenditure is incurred. Disbursements made out of foreign currency bank accounts are reported at a rate prevailing on the date of disbursement.
 - m) Prior year adjustments, extraordinary items and changes in accounting policies having material impact on the financial affairs of the company are disclosed.
 - n) Current Assets and Current liabilities denominated in foreign currency are translated at the exchange rate prevalent at the date of balance sheet. The resulting difference is accounted for in the Profit and Loss account.
 - o) Differed Tax assets and liabilities are recognized for future tax consequences attributable to the timing difference that results between the profits considered for income tax and the profit as per financial statements. Deferred tax assets and liabilities are measured as per the tax rates and laws that have been enacted or substantially enacted by the Balance Sheet date. However, deferred tax assets are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred asset can be realized.
3. The Land of one acre purchased by the company during the financial year 2005-06 was covered under Special Economic Zone vide notification No.S.O.565(E) Dt.11.04.2007 by Government of Andhra Pradesh. The company entered into lease agreement with Andhra Pradesh Industrial Infrastructure Corporation Limited for a period of 99 years on payment of Rs.1,000/- per annum towards lease rentals. As per the deed the company is given an option to revert the leasehold land to freehold land after a period of 10 year subject to the provisions of SEZ Act , 2005 and SEZ rules without any further payment.

Accordingly the Land, which is treated as freehold during earlier years has been shown as Leasehold Land.

4. As per the information available with the company none of the suppliers informed the company regarding their status as defined under the "Micro, Small and Medium Enterprises Development Act, 2006". Accordingly the information regarding the dues to such suppliers could not be furnished.
5. In terms of Accounting Standard 22 "Accounting for Taxes on income" (AS 22) issued by the Institute of Chartered Accountants of India, the Company has accounted for the deferred taxes during the year.

Major components of Deferred Tax on account of timing differences:

| Particulars | Amount Rs. |
|--|--------------------|
| Deferred Tax asset on account of depreciation | 1,46,72,524 |
| Deferred Tax asset on account of Provision for Gratuity & Leave Encashment | 1,90,458 |
| Net deferred tax Asset | <u>1,48,62,982</u> |

Under prudential concept, the Board of directors decided not to recognize the deferred tax asset.

6. Fixed Deposit for Rs.20,75,000/- (Previous year Rs.20,75,000/) are in lien with Bankers towards margin against guarantees issued by them.
7. As required by Accounting Standard (AS 28) "Impairment of Assets" issued by the Institute of Chartered Accountants of India, the management has carried out the assessment of impairment of assets and no impairment loss exists during the year.
8. a) In the opinion of the management, the Current Assets, Loans and Advances are expected to realize at least the amount at which they are stated, if realized in the ordinary course of business.
- b) Sundry Debtors includes an amount of Rs.50,23,125/- (Previous year Rs.2,16,67,200/-) due from a wholly owned foreign subsidiary Company viz., SoftSol Resources Inc.
9. The Board of Directors of the company vide resolution dated 30th July 2009 approved buyback of 14,00,000 equity shares of Rs. 10/- each at a price not exceeding Rs.55/- per share and total cost of buyback is restricted to Rs. 7,00,00,000/-. During the year the company bought back 52,604 (Previous Year 9,85,708)equity shares at Rs. 28,78,854/- (Previous Year Rs.5,37,91,383/-)inclusive of premium of Rs. 23,52,814/-(Previous Year Rs.4,39,34,303/-). The premium of Rs.23,52,814/- is adjusted against share premium account and redemption reserve of Rs.5,26,040/- being the face value of shares bought back, created.
10. Managerial remuneration included under respective heads of account.

Whole Time Director:

| Particulars | Current Year Rs. | Previous Year Rs. |
|-----------------------------|-------------------------|-------------------------|
| Remuneration | 13,44,000 | 12,60,000 |
| Provident Fund Contribution | 93,600 | 86,400 |
| Total | <u>14,37,600</u> | <u>13,46,400</u> |

(Above are grouped under respective heads)

| | As at 31.03.2011 Rs. | As at 31.03.2010 Rs. |
|--|---|----------------------------|
| 11. Contingent liabilities not provided for on account of: | | |
| a) Guarantees given by the bankers | 20,75,000 | 20,75,000 |
| b) Demands from Income Tax Department Disputed and pending before CIT appeals | 2,49,59,584 | 30,36,473 |
| | Current Year Rs. | Previous Year Rs. |
| 12. Value of imports calculated on C.I.F basis by the Company during the financial year in Respect of Capital goods | NIL | NIL |
| 13. Expenditure in foreign currency during the Year on account of traveling excluding Tickets purchased in India | 29,965 | 1,93,973 |
| 14. Contracts to be executed on account of Capital contracts | 1,20,00,000 | 1,45,00,000 |
| 15. Earnings in foreign currency on export of Software | 10,65,82,835 | 26,82,62,779 |
| 16. There are no separate reportable segments as per the accounting Standard -17 " Segmental Reporting " issued by the Institute of Chartered Accountants of India. | | |
| 17. The details of related party transactions in terms of Accounting Standard (AS) 18 are as follows: | | |
| i) Key Management Personnel Sri Madala Bhaskara Rao, Whole time Director | | |
| ii) a) Subsidiary : | M/s SoftSol Resources Inc, USA (SRI) | |
| b) Associate : | M/s SoftSol Technologies Inc, USA (STI) | |

Transactions:

| Current Year | Nature of relation | Remuneration | | Sales | |
|-----------------|--------------------------------|------------------|-----------------|------------------|--------------|
| | | Previous Year | Current Year | Previous Year | |
| | Key Management personnel | 14,37,600 | 13,46,400 | -- | -- |
| | Subsidiary | -- | -- | 2,03,74,875 | 4,18,59,115 |
| | Associate | -- | -- | 8,59,18,440 | 12,70,23,870 |

Receivables as at 31.03.2011 :

| Nature of relation | Current Year Amt. Rs. | Previous Year Amt Rs. |
|--------------------|--------------------------|--------------------------|
| Associate | 1,78,60,000 | 6,42,70,332 |
| Subsidiary | 50,23,125 | 2,16,67,200 |

18. Employee Benefits:

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

i) Profit and Loss account:

| | Current Year | | Previous year | |
|-------------------------|------------------|-------------|------------------|------------|
| | Leave encashment | Gratuity | Leave encashment | Gratuity |
| Current service cost | (34,907) | 14,79,612 | (2,07,539) | 14,45,634 |
| Interest cost | 64,943 | 2,91,698 | 21,432 | 2,27,440 |
| Actuarial Gain / (loss) | (89,282) | (16,29,441) | 9,99,374 | (7,70,946) |
| Net benefit expense | (59,240) | 1,41,869 | 8,13,267 | 9,02,128 |

ii) Balance Sheet:

| | Current Year | | Previous year | |
|--|------------------|-------------|------------------|------------|
| | Leave encashment | Gratuity | Leave encashment | Gratuity |
| Opening balance of benefit obligations | 10,36,334 | 37,01,562 | 3,12,735 | 28,68,375 |
| Current service cost | (34,907) | 14,79,612 | (2,07,539) | 14,45,634 |
| Interest cost | 64,943 | 2,91,698 | 21,432 | 2,27,440 |
| Actuarial Gain /(loss) | (89,282) | (16,29,441) | 9,99,374 | (7,70,946) |
| Benefits paid | (4,48,278) | (1,10,,676) | (89,668) | (68,941) |
| Closing balance of benefit obligations | 5,27,816 | 37,32,755 | 10,36,334 | 37,01,562 |

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

Leave encashment:

| | |
|------------------------|-----------|
| Discount rate | 8% |
| Further salaries raise | 7% |
| Attrition Rate | 20% |
| Mortality | Lic 94-96 |
| Withdrawal | Ignored |

Gratuity:

| | |
|------------------------|-----------|
| Discount rate | 8% |
| Mortality | Lic 94-96 |
| Further salaries raise | 7% |
| Attrition Rate | 20% |

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

19. Earnings per share (E.P.S.)

| | Current Year | Previous Year |
|--|-------------------------|--------------------------|
| i) Net Profit as per Profit and Loss Account Available for Equity Shareholders (Rs.) | 6,02,54,275 | 17,08,08,815 |
| ii) Number of Equity Shares | 1,76,03,396 | 1,76,65,000 |
| iii) Nominal value of the share (Rs.) | 10 | 10 |
| iv) Earning Per Share (Basic and Diluted) | 3.53 | 9.67 |

20. Previous year figures have been regrouped wherever necessary.

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

For and on behalf of the Board

D. Seetaramaiah
Partner

Bhaskar Rao Madala
Whole time Director

Dr. T. Hanuman Chowdary
Director

Place: Hyderabad
Date: 23-05-2011

B.S. Srinivasan
Director

C. Lalitha
Company Secretary

SOFTSOL INDIA LIMITED

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

ATTENDANCE SLIP

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

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

Client ID

Name and address of the Shareholder / Proxy:

Number of Shares held

I hereby record my presence at the the 21st Annual General Meeting of the company held on Friday the 30th Day of September 2011 at the registered office of the company situated at Plot No. 4, Software Units Layout, Madhapur, Hyderabad - 500 081 at 10.00 a.m

(Signature of Shareholder / proxy)

SOFTSOL INDIA LIMITED

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

PROXY FROM

DP ID: Regd. Folio No.

Client ID

I/Weof being a member(s) of SoftSol India Limited hereby
 appoint of
or failing him

of as my / our proxy to vote for me / us and on my / our behalf at the 21st Annual General Meeting of the company held on Friday the 30th Day of September 2011 at the registered office of the company situated at Plot No. 4, Software Units Layout, Madhapur, Hyderabad - 500 081 at 10.00 a.m or any adjournment thereof.

Signed this Day of Spetember, 2011.

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