

SoftSol India Limited

Board of Directors	Mr. Srinivasa Rao Madala Mr. Bhaskar Rao Madala Dr. Durga V. L. K. Madala Dr. T. Hanuman Chowdary Mr. Shanker Trivedi Mr. B. S. Srinivasan	Chairman Whole time Director Director Director Director Director
Company Secretary	Mrs. Chavali Lalitha	
Statutory Auditors	Balarami & Nagarjuna, Chartered Accountants, Hyderabad.	
Internal Auditors	Brahmayya & Co., Chartered Accountants, Hyderabad.	
Bankers	ICICI Bank Limited, Madhapur, Hyderabad UTI Bank Limited, Begumpet, Hyderabad	
Registered Office	Plot No. 4, Infocity, Madhapur, Hyderabad - 500 033 Telephone: + 91 (40) 30784305, Facsimile: + 91 (40) 30784306 E-mail: softsol@softsolindia.com Website: www.softsolindia.com	
Registrars & Share Transfer Agent	Karvy Computershare Private Ltd. KARVY House, Road No. 1, Banjara Hills, Hyderabad - 500 034 Tel: + 91 (40) 23326591, Facsimile: +91 (40) 23311968	

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Letter to Shareholders

Dear Members,

I take pleasure in presenting the Sixteenth Annual Report of your Company. I use this opportunity to present what we accomplished this fiscal year financially, our other significant accomplishments, and what we see for the future.



First, let me state that the current years accomplishments are good. Your company had a consolidated revenues of Rs. 64.12 Crores reflecting a 28% increase over previous year, and Rs. 3.27 Crores net income reflecting a 390% increase over previous year. But more importantly we accomplished many other things that created a platform for rapid growth and profitability for future. For instance, our projections for next year are growth of 40% or more in consolidated income and a 300% increase in net income from software services. We also foresee increase in net profit as a percentage of income as the revenues increase. However, income and growth due to any future acquisitions and other factors could have additional impact on these projections.

I am very delighted to share that we have reached a point of inflection with respect to our company's growth. I mean this in a very positive way. In so many aspects our company has reached a very desirable stage in its life cycle, and is all set to take advantage of the numerous opportunities that are available in our target market.

We have proven our leadership in certain niche areas of the Enterprise Technology modernization market segment. This unique and special position allowed us to minimize our costs of new customer acquisition as well as protection from the price pressures normally faced by companies of our size. For instance, we have successfully proven our ability to acquire and are well prepared to rapidly acquire new projects from large well known entities world wide. These projects are multi-year, multi-million dollar engagements with majority of work being done off-shore in our own facility by our own employees. Fortunately, the sales, marketing teams, infrastructure both in the US and in India, and other resources we invested in the past, certain fixed and recurring costs that we have been incurring all these years are capable of supporting this significant additional growth with out proportionate increase in the costs. In other words, we have scalable resources to address the projected growth with minimal extra costs and risk.

We are taking many steps to improve and prepare our company to take advantage of the good years ahead. For instance, we have added and are adding new professional members to our Board.

We are strengthening our management teams, and are building new technology practices in the Enterprise Technology Modernization space where we hope to rank number 1 in the world.

As you know your company is profitable every year since inception. We have no debts. Your company now has over 150,000 sq. ft of fully owned debt free software development infrastructure available in Hyderabad and healthy balance of working capital funds for future growth.

Our approach is to ensure that each of our resources generate positive returns, whether it be human resources, infrastructure or capital resources. We will take additional measures to inform Shareholders of new developments on regular basis.

The economic environment, regulatory climate, government policies and market conditions all appear favorable to us.

It is my hope and expectation that in coming year we see huge improvements in the (a) number of new client acquisitions, (b) nature of project engagements that are of size Rs. 10 Crores or more per year and each engagement spanning 2-3 years or more, (c) revenues, gross and net profits (d) employee morale (e) company's image.

I sincerely believe that your company has taken a new positive direction and is marching ahead into the future on an optimistic note. The next year and years that follow show significant positive changes that you all would appreciate.

I thank Dr. Jayaprakash Narayan for his contribution to our Board and all of the current Board Members. I welcome our newest independent members Mr. Shanker Trivedi and Mr. B.S. Srinivasan. My sincere thanks to all the stakeholders for their continued and valuable support.

Sincerely Yours

Srinivasa Rao Madala
Chairman

Notice of the 16th Annual General Meeting

Notice is hereby given that the Sixteenth Annual General Meeting of the members of SoftSol India Limited will be held on Friday, the 29th day of September, 2006 at 10.30 a.m., at the Registered Office of the Company situated at Plot No. 4, Infocity, Madhapur, Hyderabad - 500 033 to transact the following business:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at March 31, 2006 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. Srinivasa Rao Madala, who retires by rotation and being eligible, offers himself for re-appointment.
3. To consider and if thought fit, to pass with or without modifications, if any the following as an Ordinary Resolution:

“RESOLVED THAT pursuant to provisions of Section 224, 225 and other applicable provisions, if any, of the Companies Act, 1956, M/s. Brahmayya & Co., Chartered Accountants, Hyderabad be and are hereby appointed as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting up to the conclusion of the next Annual General Meeting of the Company in the place of M/s. Balarami & Nagarjuna, Chartered Accountants, the retiring Auditors of the Company, who expressed their unwillingness to be re-appointed as Statutory Auditors of the Company on their retirement at this Annual General Meeting, on such remuneration as may be fixed by the Board of Directors of the Company.”

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

“RESOLVED THAT Mr. Shanker Trivedi, who was appointed by the Board of Directors as Additional Director with effective from 30th day of September 2005 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.”

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

“RESOLVED THAT Mr. B. S. Srinivasan, who was appointed by the Board of Directors as Additional Director with effective from 12th day of July 2006 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 Board of Directors

Place: Hyderabad
Date: 02-08-2006

Bhaskar Rao Madala
Whole-time Director

Notes:

- (a) A member of the Company entitled to attend and vote at a meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member of the Company. Proxies in order to be effective must be received by the Company, not less than 48 hours before the commencement of the meeting.
- (b) The Register of Members and the Share Transfer Books will remain closed from 26-09-2006 to 29-09-2006, 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, Karvy House, Road No. 1, Banjara Hills, Hyderabad – 500 034 is the Registrar and Share Transfer Agent for the physical shares of the Company and also the depository interface of the Company with both NSDL and CDSL.
- (e) Queries on accounts and operations may please be sent to the Company 5 days in advance of the Annual General Meeting so that the answers may be made available at the meeting.
- (f) The relative Explanatory Statement pursuant to Section 173(2) of the Act with regard to the special business set out in item no. 3 and 4 are annexed hereto.

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

Item No. 3:

M/s. Balarami & Nagarjuna, Chartered Accountants, Hyderabad the present auditors who retire at this Annual General Meeting have informed the Company that they do not wish to seek re-appointment as Statutory Auditors of the Company for the financial year 2006-07 at the forthcoming Annual General Meeting.

In view of the above and based on the recommendations of the Audit Committee, the Board of Directors has at its meeting held on August 2, 2006, proposed the appointment of M/s. Brahmayya & Co., Chartered Accountants, Hyderabad presently Internal Auditors of the Company, as the Statutory Auditors in the place of M/s. Balarami & Nagarjuna, Chartered Accountants for the financial year 2006-07.

The Company has received a special notice from a Member of the Company, in terms of the provisions of the Act, signifying the intention to propose the appointment of M/s. Brahmayya & Co., Chartered Accountants, Hyderabad as the Auditors of the Company from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting. M/s. Brahmayya & Co., Chartered Accountants expressed their willingness to act as Auditors of the Company, if appointed and have further confirmed that the said appointment would be in conformity with the provisions of Section 224(1B) of the Act.

The Members' approval is being sought to the appointment of M/s. Brahmayya & Co., Chartered Accountants as the Statutory Auditors and to authorize the Board of Directors, on the recommendation of the Audit Committee, to determine the remuneration payable to the Auditors.

The Board recommends this resolution for your approval. No director is concerned or interested in the passing of this resolution.

Item No. 4:

Mr. Shanker Trivedi was appointed as an Additional Director by the Board on 30th September 2005 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. Trivedi for the office of Director.

Mr. Trivedi is a M.B.A. from IIM Calcutta and M.S. in Mathematics and Computing from IIT Delhi. He has over 20 years of experience in senior marketing and executive business management positions in the U.S., the U.K. and India.

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

Mr. Trivedi 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.

Item No. 5:

Mr. B. S. Srinivasn was appointed as an Additional Director by the Board on 12th July 2006 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. Srinivasn for the office of Director.

Mr. Srinivasan is a fellow member of the Institute of Chartered Accountants of India and he is practicing chartered accountant since 1974 rendering services in the field of finance, accounts, auditing, internal control and audit system, income tax consultation to various companies, banks, service organizations, educational and charitable institutions etc.

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

Mr. Srinivasan does not hold any shares in the Company. The Board recommends this resolution for your approval.

No director is concerned or interested in the passing of this resolution.

On behalf of Board of Directors

**Place: Hyderabad
Date: 02-08-2006**

**Bhaskar Rao Madala
Whole-time Director**

Directors' Report

Dear Members,

The Directors have pleasure in submitting the Annual Report of the Company together with the Audited statement of Accounts for the year ended March 31, 2006.

Financial Results

	(Rs. in Lakhs)	
	2005-06	2004-05
Gross Revenue	645.37	579.89
Total Expenditure	393.46	536.39
Operating Profit	251.91	43.50
Other Income	125.57	128.03
Interest	Nil	Nil
Depreciation	45.45	53.98
Profit before Tax	332.04	117.55
Provision for Taxation	20.00	22.00
Profit after Tax	312.04	36.32
Earning per Share (Rs.)	1.68	0.19
Dividend	Nil	Nil

Review of Operations :**Parent Company**

During the year under review, your Company recorded income of Rs. 645.37 Lakhs from export of software in comparison with previous year's income of Rs. 579.89 Lakhs. Your company achieved net profit of Rs. 312.04 Lakhs for the year 2006 in comparison with the previous year's net profit of Rs. 36.32 Lakhs.

Subsidiary Company

SoftSol Resources Inc., USA (SRI) a wholly owned subsidiary of your Company, recorded total revenue of US\$ 14.57 Millions in comparison with the previous year's revenue of US\$ 11.49 Millions. SRI recorded net profit of US\$ 23,952 for the year 2005 in comparison with the previous year's net profit of US\$ 69,561.

Dividend

Your Company, in order to fuel its growth has been ploughing back the profits generated. Since your Company is in growth face your directors recommend that the entire profits during 2005-2006 is ploughed back. Consequently your directors do not recommend dividend for the year 2005-2006.

Management Discussions and Analysis Report:

Management Discussions and Analysis is annexed to this Report.

Directors:

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

Mr. Shanker Trivedi and Mr. B. S. Srinivasan have been appointed as Additional Directors on September 30, 2005 and July 12, 2006 respectively. Both Mr. Shanker Trivedi and Mr. Srinivasan are independent directors. As per the provisions of Section 260 of the Companies Act, 1956, these directors hold 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 directors of the Company, along with requisite deposit. Resolutions seeking approval 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.

Dr. Jayaprakash Narayan resigned from the Directorship of the Company due to his inability to attend the Board Meetings. The Board accepted his resignation on July 12, 2006.

Corporate Governance:

A report on Corporate Governance is annexed to this report.

Auditors:

The present Auditors of the Company, M/s. Balarami & Nagarjuna, Chartered Accountants, Hyderabad, have expressed their unwillingness to be re-appointed as Auditors on their retirement at the forthcoming Annual General Meeting. The Company has received a special notice from a shareholder of the Company, in terms of the provisions of the Companies Act, 1956, signifying the intention to propose the appointment M/s. Brahmayya & Co., Chartered Accountants, Hyderabad as Statutory Auditors of the Company from the conclusion of the ensuing Annual General Meeting till the conclusion of the next Annual General Meeting. M/s. Brahmayya & Co., Chartered Accountants have also expressed their willingness to act as Auditors of the Company, if appointed, and have further confirmed that the said appointment would be in conformity with the provisions of Section 224 (1B) of the Companies Act, 1956.

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. 645.37 Lakhs (Previous year Rs. 579.89 Lakhs) and foreign exchange outgo was Rs. 13.96 Lakhs (previous year Rs. 299.23 Lakhs).

Particulars of Employees:

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is not required as no employee falls under the category.

Directors' Responsibility Statement:

In terms of the provisions of section 217(2AA) of the Companies Act, 1956 (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 Board of Directors

Place: Hyderabad
Date: 02-08-2006

Bhaskar Rao Madala
Whole-time Director

Report On Corporate Governance

1. Company's Philosophy on Corporate Governance

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

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 and the number of Independent Non-Executive Directors is more than one third of the Board's strength at any point of time. All Independent Non-Executive Directors comply with the legal requirements of being "Independent." The composition of the Board of Directors of the Company as on March 31, 2006 is as follows:

Name of the Director	Category	Designation	Directorship in other companies @	Chairmanship in committees of Board of other companies \$	Membership in committees of Board of other companies
Mr. Srinivasa Rao Madala	Promoter Director	Chairman	Nil	Nil	Nil
Dr. Durga V.L.K Madala	Promoter Director	Director	Nil	Nil	Nil
Mr. Bhaskar Rao Madala	Executive Director	Whole-time Director	Nil	Nil	Nil
Dr. T. Hanuman Chowdary	Independent Non- Executive Director	Director	Three	One	Nil
Dr. Jayaprakash Narayan	Independent Non- Executive Director	Director	One	Nil	Nil
Mr. Shanker Trivedi	Independent Non- Executive Director	Director	Nil	Nil	Nil
Mr. B.S. Srinivasan	Independent Non- Executive Director	Alternate Director to Dr. Durga Madala	Nil	Nil	Nil

@ Directorships in private and foreign companies are excluded.

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

Subsequent changes in the Board:

Dr. Jayaprakash Narayan resigned on July 12, 2006 and in the vacancy so caused, Mr. B. S. Srinivasan was appointed as a Director of the Company, effective July 12, 2006.

Details of Board Meetings and Attendance:

During the financial year 2005-06 Board of Directors of the Company met seven times on 18-04-2005, 18-05-2005, 20-06-2005, 28-07-2005, 30-09-2005, 24-10-2005 and 31-01-2006. The attendance details of the directors at the Board Meetings and last Annual General Meeting is as follows:

Name of the Director	No. of Board Meetings held	No. of Board Meetings attended	Whether attended last AGM held on September 30, 2005
Mr. Srinivasa Rao Madala	7	1	Yes
Dr. Durga V.L.K Madala	7	Nil	No
Mr. Bhaskar Rao Madala	7	7	Yes
Dr. T. Hanuman Chowdary	7	7	Yes
Dr. Jayaprakash Narayan	7	4	No
Mr. Shanker Trivedi	7	Nil	No
Mr. B.S.Srinivasan	7	7	Yes

Code of Conduct:

The Board has laid down a code of conduct for all Board members and senior management of the Company. The Company has obtained the confirmation of the Compliance with the Code from all its Board members and senior management personnel for the current year.

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

Name: Mr. Srinivasa Rao Madala
 Date of Birth: 01-06-1961
 Nationality: Indian
 Date of Appointment: 27-12-1998

Mr. Madala is a B.E. (Mech.) from REC, Warangal, and P.G. Diploma in Industrial Engineering from NITIE, Mumbai. To his credit he has published a paper titled " A Search for optimal Frequency of Shutdown through Computer Simulation" in Maintenance Management International, Netherlands, 1987. Mr. Madala was employed by Tata Borroughs Limited (now called Tata Unisys Limited), Mumbai and was deputed to work in UNISYS, Atlanta in 1986. Prior to setting up his own ventures, Mr. Madala has provided his services as a consultant for Tata Burroughs Limited- Mumbai, UNISYS-Atlanta, Pasific Bell-San Ramon and Bellcore-New Jersey. He has experience in Application Development, Process Re-engineering, Systems Engineering and Project Management.

Mr. Madala is the driving force behind the SoftSol Group and has over 20 years of experience in System Engineering, Application Development, Feasibility Studies, Project Management and Business Development. Mr. Madala is the Promoter and Chairman of SoftSol India Limited and SoftSol Resources Inc., U.S.A. He also co-founded SoftSol Technologies, Inc., U.S.A., the parent company, wherein he is a Director.

Mr. Madala does not own any shares in the Company and he is not holding any other directorships in Public Limited Companies in India.

3. Audit Committee

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

- a) Overseeing the Company financial reporting process.
- b) Reviewing periodical financial results, financial statements and adequacy of internal control systems.
- c) Approving Internal Audit plans and reviewing efficacy of the function.
- d) Discussion and review of periodic audit reports, and
- d) Discussions with external auditors about the scope of the audit including the observations of the auditors.

Minutes of the Audit Committee are circulated to the members of the Committee and the Board is kept apprised.

Composition and Attendance:

There are three members of the audit committee and all the members of the committee are Non-Executive Independent Directors. Members of the Audit Committee are Dr. Jayaprakash Narayan, Dr. T.Hanuman Chowdary and Mr. B.S.Srinivasan. Dr. Jayaprakash Narayan is the Chairman of the Audit Committee. The Company Secretary acts as the Secretary to the Committee.

During the financial year 2005-06 Audit Committee of the Board of Directors met six times on 18-04-2005, 18-05-2005, 20-06-2005, 28-07-2005, 24-10-2005 and 31-01-2006. The attendance details of the members of the audit committee is as follows:

Name of the Committee Members	Number of Meetings held	Number of Members Meetings attended
Dr. Jayaprakash Narayan	6	3
Dr. T. Hanuman Chowdary	6	6
Mr. B. S. Srinivasan	6	6

Audit Committee was re-constituted on July 12, 2006 due to resignation of Dr. Jayaprakash Narayan as director of the Company, Mr. Bhaskar Rao Madala is co-opted as member of the Committee in his place. Mr. B. S. Srinivasan is also co-opted as member of the Committee on his appointment as Independent Additional Director by the Board on July 12, 2006.

4. Remuneration Committee**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.

Remuneration Policy:

The Committee has the mandate to review and recommend compensation payable to the Whole-time Director and Senior Executives of the Company. No director other than Mr. Bhaskar Rao Madala is drawing remuneration from Company. Mr. Bhaskar Rao Madala is drawing remuneration for the services rendered in the capacity of Whole-time Director of the Company. A sitting fee of Rs. 4,000 (Rupees four thousand only) is being paid to non-executive directors for attending each board meeting.

Composition and Attendance:

The Remuneration Committee comprises of three non-executive independent directors Dr. T.Hanuman Chowdary, Mr. B.S.Srinivasan. Dr. Jayaprakash Narayan (Chairman).

The meeting of the Remuneration Committee was held on 28-07-2005 and all the members of the Committee were attended the meeting.

Remuneration Committee was re-constituted on July 12, 2006 due to resignation of Dr. Jayaprakash Narayan as director of the Company, Dr. Durga. V. L. K. Madala is co-opted as member of the Committee in his place. Mr. B. S. Srinivasan is also co-opted as member of the Committee on his appointment as Independent Additional Director by the Board on July 12, 2006.

The details of remuneration and sitting fees paid or provided to each of the Directors during the year 2005-06 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
Dr. Durga VLK Madala	Director	Nil	Nil	Nil	Nil
Mr. Bhaskar Rao Madala	Whole-time Director	10,26,258	Nil	Nil	10,26,258
Dr. T. Hanuman Chowdary	Director	Nil	Nil	29,000	29,000
Dr. Jayaprakash Narayan	Director	Nil	Nil	12,000	12,000
Mr. Shanker Trivedi	Director	Nil	Nil	Nil	Nil
Mr. B.S.Srinivasan	Director	Nil	Nil	29,000	29,000

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 details of non-executive directors:

Shareholding details of non-executive directors of the Company as on March 31, 2006 is as follows:

Name of the Director	No. of shares held as on 31-03-2006
Mr. Srinivasa Rao Madala	Nil
Dr. Durga V. L. K. Madala	6,81,964 equity shares
Dr. T. Hanuman Chowdary	Nil
Dr. Jayaprakash Narayan	Nil
Mr. Shanker Trivedi	Nil
Mr. B.S. Srinivasan	Nil

None of the Non-executive directors have any material pecuniary relationship or transactions with 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. Jayaprakash Narayan (Chairman). Mrs. Chavali Lalitha, Company Secretary is the Compliance Officer.

Share Transfers Committee was re-constituted on July 12, 2006 due to resignation of Dr. Jayaprakash Narayan as director of the Company and member of the committee, Dr. T. Hanuman Chowdary is co-opted as member of the Committee in his place. Mr. B. S. Srinivasan is also co-opted as member of the Committee on his appointment as Independent Additional Director by the Board on July 12, 2006.

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:

The Committee met 19 times on 04-04-2005, 11-04-2005, 28-04-2005, 02-06-2005, 24-06-2005, 07-07-2005, 28-07-2005, 23-08-2005, 03-09-2005, 12-09-2005, 27-09-2005, 24-10-2005, 10-11-2005, 15-11-2005, 19-12-2005, 04-01-2006, 20-01-2006, 31-01-2006 and 06-03-2006 to approve share transfers, issue of duplicate shares and review matters connected with redressal of shareholders complaints.

Attendance of Directors at the Committee meetings is as under:

Name of the Committee Members	Number of Meetings held	Number of Meetings attended
Dr. Jayaprakash Narayan	19	19
Mr. Bhaskara Rao Madala	19	19
Mr. B. S. Srinivasan	19	19

6. Annual General Meetings

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

Year/Period	Day, Date and Time	Location
2002-03	Thursday, 25 th September 2003 at 11.00 A.M.	At the Registered office of the Company at Plot No.4, Infocity, Madhapur, Hyderabad – 500 033.
2003-04	Thursday, 30 th September 2004 at 11.00 A.M.	At the Registered office of the Company at Plot No.4, Infocity, Madhapur, Hyderabad – 500 033.
2004-05	Friday, 30 th September 2005 at 11.00 A.M.	At the Registered office of the Company at Plot No.4, Infocity, Madhapur, Hyderabad – 500 033.

A special resolution was passed by the shareholders at the 14th AGM held on September 30, 2004 to accord their consent to delist the equity shares of the Company from the Hyderabad Stock Exchange Limited. No special resolution was passed by the shareholders at the last Annual General Meeting. No business was transacted through postal ballot at the last three Annual General Meetings. At the forthcoming Annual general Meeting no business is required to be transacted through postal ballot.

7. Disclosures:

a) Details of Related Party Transactions:

SoftSol Technologies Inc., USA (STI) holds 47.64% of the total shareholding of SoftSol India Limited. However there have been no transactions between SIL & STI during the financial year ended 31-03-2006 and in the corresponding previous year.

SoftSol India Limited holds 100% shareholding of SoftSol Resources Inc., USA (SRI) and hence SRI is a wholly owned subsidiary of SIL. The transactions details of the Company with the SRI as of 31.03.2006 are:

	31-03-2006 (in Rs.)	31.03.2005(in Rs.)
Sales	64,536,740	5,79,88,558
Onsite Expenditure	Nil	2,85,62,624
Investment	95,34,10,053	9,53,404,053

No Loans and Advances to Subsidiary Company have been made in the financial year 2005-2006.

b) There are no pecuniary relationship or transactions with non-executive directors vis-à-vis the Company, which has potential conflict with the interests of the Company at large.

c) 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 strictures 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.

d) The Company has complied with all the applicable mandatory requirements of the revised Clause 49 of the Listing Agreement.

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 and simultaneously posted on the Electronic Data Information Filing and Retrieval (EDIFAR) website, namely www.sebidifar.nic.in.

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

Management Discussion and Analysis Report is a part of the Report of the Directors.

9. General Shareholders Information:

Registered Office & address for Correspondence

Plot No. 4, Infocity, Madhapur, Hyderabad – 500 033
Telephone: + 91 (40) 30784305, Facsimile: + 91 (40) 30784306
E-mail: softsol@softsolindia.com, Website: www.softsolindia.com

Annual General Meeting: (Date, Time and Venue)

Friday, the 29th day of September 2006 at 10.30 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, 2006 to September 29, 2006 (both days inclusive)

Listing of Shares

The Company shares are listed on The Bombay Stock Exchange Limited and the Company has paid listing fees for the financial year 2005-2006 to the Stock Exchange.

Stock Code/Symbol

The Bombay Stock Exchange Limited - 532344

Share Transfer Agent

Karvy Computershare Private Limited, KARVY House, Road No. 1, Banjara Hills, Hyderabad - 500 034, Tel: + 91 (40) 23326591, Facsimile: +91 (40) 23311968.

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, 2006, no share transfer or complaints were pending.

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, 2006 1,31,65,218 Equity Shares of the Company forming 70.57 % of the Share Capital of the Company, stand dematerialized.

International Securities Identification Number: INE002B01016.

Market Price Data:

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

Month	BSE – High	BSE – Low	Month	BSE – High	BSE – Low
April 2005	24.45	18.15	October 2005	52.00	35.05
May 2005	24.75	15.00	November 2005	47.10	35.00
June 2005	32.50	21.70	December 2005	49.45	37.25
July 2005	32.45	22.65	January 2006	42.15	35.20
August 2005	48.25	27.50	February 2006	45.75	36.55
September 2005	69.25	39.60	March 2006	42.15	33.55

Categorywise Shareholding as at March 31, 2006

Category	No. of Shares held	Percentage of Shareholding
Promoters	11658591	62.49
Mutual Funds and UTI	Nil	Nil
Banks, Financial Institutions, Insurance Companies etc.	Nil	Nil
FII's	Nil	Nil
Private Corporate Bodies	164172	0.88
Indian Public	1336001	7.16
Non-Resident Indians	165614	0.89
Others	5331430	28.58
Total	18655808	100.00

Distribution of Shareholding as on March 31, 2006:

Number of Equity Shares held	Shareholders (Numbers)	Shareholders (Percentage)	Shares (Numbers)	Shares (Percentage)
1 – 5000	2489	84.63	496403	2.66
5001 – 10000	275	9.35	232785	1.25
10001 – 20000	84	2.86	124749	0.67
20001 – 30000	31	1.05	80458	0.43
30001 – 40000	13	0.44	48337	0.26
40001 – 50000	9	0.31	41528	0.22
50001 – 100000	12	0.41	90983	0.49
100001 & above	28	0.95	17540565	94.02
Total	2941	100.00	18655808	100.00

Declaration

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, the Board Members and the Senior Management Team have confirmed compliance with the Code of Conduct for the Financial Year ended March 31, 2006.

On behalf of Board of Directors

**Place: Hyderabad
Date: 02-08-2006**

**Bhaskar Rao Madala
Whole-time Director**

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

To
The members of SoftSol India Limited

1. We have examined the compliance of conditions of Corporate Governance by SoftSol India Limited (the Company) for the year ended March 31, 2006, as stipulated in clause 49 of the listing agreement of the said Company with the stock exchanges in India.
2. The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit or an expression of opinion on the financial statements of the Company.
3. In our opinion and to the best of our information and explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned listing agreement.
4. We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

**For and on behalf of
MR Vijaya Bhaskara & Associates
Company Secretaries**

**Place: Hyderabad
Date:02-08-2006**

**M. Vijaya Bhaskara Rao
Proprietor
Certificate of Practice No. 5237**

Management Discussion and Analysis Report

Industry structure and developments

As per Industry predictions, India would continue to dominate as an offshore destination in the foreseeable future. As per the recent IDC, surveys report the Global IT services' spending is projected to grow at a compounded annual growth rate of 6.4 % for the next few years. In dollar terms it is expected to be approximately around USD 512 billion by 2008.

Global corporations have started adopting offshore outsourcing as their ready choice for cost effectiveness. But more importantly are now bold enough to work with smaller and mid size companies more willingly than 3-5 years ago.

Large clients are now more knowledgeable in evaluating and recognizing the true value of working with a smaller but competent vendor than before. Therefore, the opportunities for special and niche service providers is never more abundant than at present.

Opportunities, Threats, Risks and Concerns

While the Global IT market is growing at a competitive phase, it also has the risks and threats associated with it. We highlight here the opportunities and associated risks present in the market and your Company's capabilities in brief.

Opportunities

The opportunities in the Global market for special and niche services that your company is offering are plenty. We are also shielded from the price and competitive pressures that normally make it harder for small to mid size companies from acquiring new business from large corporations. Your company appears to be in a good position to add new clients and good projects than many others of similar size. Your company is putting systems in place to add additional niche areas to our portfolio to enable a steady growth and continuous revenue streams over next several years.

Threats, Risks and Concerns

Some of the risks and threats associated are discussed in brief:

- Hiring and retention of qualified employees. Your company like any other typical IT services company has a challenge to hire, train and retain specialized talent that is suitable to execute large, multi-year projects that we are signing up. Your company has adopted numerous measures to address this including developing relationships with educational institutions for hiring in larger numbers, designing proper policies to retain employees and so on.
- Competition from other vendors. Your company has established strong differentiators where possible in certain areas to minimize the competition from other firms.
- Next year we will have to deal with lot of "growth" issues. Typical problems associated with growing companies have to be addressed. Since we already have infrastructure, working capital, and certain elements needed to address this anticipated growth, we may be able to minimize the risk.

Your Company has adopted the best methods to mitigate the threats and concerns, which are common to the IT industry in general. It shall continue to do so depending on the business needs from time to time.

Outlook

The Company endeavours to achieve higher than industry growth rates in both revenues and profits during the coming year. The quality of revenues, profile of new clients that we acquire, and the average size of

orders from new clients will all improve in the coming year. We anticipate higher percentage of gross profits from the new projects that we undertake during next year.

Internal Control Systems and their adequacy

The Company strictly adheres to the internal control systems established Over the years. The internal audit team carries out extensive audit on all operations periodically. The Company has a policy of maintaining effective internal control system and strict implementation of policies and procedures so as to safe guard the assets and interests of the company. The Company has an audit committee consisting of Independent Directors of the Company.

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

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

Financial Performance

Your company had a consolidated revenues of Rs. 64.12 Crores reflecting a 28% increase over previous year, and Rs. 3.27 Crores net income reflecting a 390% increase over previous year. But more importantly we accomplished many other things that created a platform for rapid growth and profitability for future. For instance, our projections for next year are growth of 40% or more in consolidated income and a 300% increase in net income from software services. We also foresee increase in net profit as a percentage of income as the revenues increase. However, income and growth due to any future acquisitions and other factors could have additional impact on these projections.

Human Resources

The Company understands the significance of human resources in the growth of an organization and is committed to build a highly motivated and committed Human resource team especially when we are in growth mode. We are boosting our hiring sources and strengthening our recruitment channels to improve both our hiring rate as well as the quality of resources we hire. Additionally, we are taking steps to ensure the resources we have are utilized optimally and motivated to make them feel important part of our success story.

We are establishing relationships with institutions to hire large teams to be able to meet our growth plans.

Auditors' Report

To
The Shareholders of **Softsol India Limited**
Hyderabad.

1. We have audited the attached Balance Sheet of M/s. SOFTSOL INDIA LIMITED, Hyderabad as at 31st March, 2006 and the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with 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 the management, as well as evaluating the overall financial statements presentation. We believe that our audit provided a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of sub section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to 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 purpose of our Audit;
 - ii) In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books of the Company;
 - iii) The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv) In our opinion the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3) of section 211 of the Companies Act, 1956;
 - v) On the basis of written representation from the directors, as on 31st March 2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - a) in the case of the balance sheet, of the state of affairs of the company as at 31st March 2006;
 - b) in the case of the profit and loss account, of the profit for the year ended on that date; and
 - c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

**For Balarami & Nagarjuna,
Chartered Accountants**

**(G. Pulla Reddy)
Partner
Membership No. 201199**

**Place: Hyderabad
Date: 27-06-2006**

Annexure to Auditors' Report**(Referred to in Paragraph 2 of our report of even date)**

1. In respect of its fixed assets:
 - a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.
 - b. As explained to us, the fixed assets have been physically verified by the management during the year in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the company and nature of its assets. No material discrepancies were noticed on such physical verification.
 - c. In our opinion, the Company has not disposed off substantial part of fixed assets during the year and the going concern status of the Company is not affected.
2. In respect of its inventories:
 - a. As explained to us, inventories have been physically verified by the management at regular intervals during the year.
 - b. In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
 - c. The Company has maintained proper records of inventories. As explained to us, there were no material discrepancies noticed on physical verification of inventory as compared to the book records.
3. In respect of Loans:
 - a. The Company has not taken/granted loans from/to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
 - b. As the Company has not taken/granted loans from/to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956, the question of statement on the rate of interest and other terms and conditions on which company has taken loans from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 does not arise. The rate of interest and other terms and conditions at which loan was given to M/s. Srujass Software Private Limited were altered during the year and are not prejudicial to the interest of the Company.
 - c. As the Company has not taken loans from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956, the question of statement on the regular payment of the principal and interest amounts as stipulated does not arise. The company has received regular payment of the principal and interest amount from M/s. Srujass Software Private Limited.
 - d. As the company has not taken loans from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956, the question of statement on the steps taken for payment of the principal and interest on overdue amount of more than one Lakh does not arise. No amount is over due to be received from M/s. Srujass Software Private Limited.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and also for the sale of goods. During the course of our audit, based on our audit procedures applied, we have not observed any continuing failure to correct major weaknesses in internal controls.

5. In respect of transactions covered under Section 301 of the Companies Act 1956:
 - a. In our opinion according to the information and explanations given to us the transactions in pursuance of the contracts or arrangements, that needed to be entered in the register maintained under section 301 of the Companies Act, 1956 have been so entered.
 - b. In our opinion and according to the information and explanations given to us, there are no transactions in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 aggregating during the year to Rs. 5,00,000/- (Rupees Five Lacks only) or more in respect of any party.
6. The Company has not accepted any deposits from the public.
7. In our opinion, the internal audit system of the Company is commensurate with its size and nature of its business.
8. In our opinion and according to the information and explanation given to us, the company is exempted to maintain the cost records in pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956.
9. In respect of statutory dues:
 - a. The company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees state insurance, income tax, sales tax, wealth tax, custom duty, excise duty, cess and other material statutory dues applicable to it.
 - b. According to the information and explanations given to us no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March, 2006 for a period of more than six months from the date of becoming payable.
 - c. Demand for an amount of Rs. 1,82,38,564/- was made by the Income tax department against the profit earned during the financial year ended 31-03-2001. Income Tax Tribunal has granted part relief against the said demand during the year 2004-05. For the remaining amount the Company has filed appeal before Honorable High Court, Andhra Pradesh for adjudication.
Demand for an amount of Rs. 1,21,54,880/- has been made by the Income tax department against the profit earned during the financial year ended 31-03-2002. No provision is made in the current financial year as the matter is pending before Commissioner Appeal for adjudication.
Demand for an amount of Rs. 37,53,354/- has been made by the Income tax department u/s 201(1) of the Income Tax Act for not deducting the tax at source during the financial year ended 31-03-2002. No provision is made in the current financial year as the matter is pending before Commissioner Appeal for adjudication.
Demand for an amount of Rs. 67,60,016/- has been made by the Income Tax Department against the profit earned during the Financial year ended 31-03-2003. No provision is made in the current financial year as the matter is pending before commissioner appeal for adjudication.
10. The Company has no accumulated losses and has not incurred any cash losses during the financial year covered by our audit or in the immediately preceding financial year.
11. Based on our audit procedures and according to the information and explanation given to us, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
12. In our opinion and according to the information and explanation given to us, no loans and advances have been granted by the Company on the basis of security by way of pledge of shares, debentures and other securities.

13. In our opinion the Company is not a chit fund or a nidhi /mutual benefit fund/ society . Therefore clause 4(xiii) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.
14. The Company has maintained proper records of transactions and contracts in respect of trading in securities, debentures and other investments and timely entries have been made therein. All shares, debentures and other investments have been held by the Company in its own name.
15. The Company has not given guarantees for loans taken by the others from banks or financial institutions.
16. The Company has not raised any new term loans during the year. No term loans were outstanding at the beginning of the year.
17. According to the information and explanations given to us and on an overall examination of the statements and records of the company, that no funds was raised on short-term basis, and hence usage of the same during the period for long-term investment and vice versa does not arise.
18. During the year the Company has not made any preferential allotment of shares to parties and Companies covered in the register maintained under Section 301 of the Companies Act, 1956.
19. According to the information and explanations given to us, the company has not issued debentures during the period covered by our report.
20. The Company has not raised any money by way of public issue during the year.
21. In our opinion and according to the information and explanations given, to us no fraud on or by the Company has been noticed or reported during the year, that causes the financial statements to be materially misstated.

Place: Hyderabad
Date: 27-06-2006

**For Balarami & Nagarjuna,
Chartered Accountants
(G. Pulla Reddy)
Partner
Membership No. 201199**

BALANCE SHEET OF SOFTSOL INDIA LIMITED AS AT 31ST MARCH 2006

	SCHEDULE No.	AS AT 31-03-2006 (in Rupees)	As at 31-03-2005 (in Rupees)
I. (A) SOURCE OF FUNDS			
1. Share Holder's Funds			
(a) Share Capital	1	190,416,190	190,416,190
(b) Reserves and Surplus	2	1,056,838,233	1,025,634,532
TOTAL		1,247,254,423	1,216,050,722
II (B) APPLICATION OF FUNDS			
1. Fixed Assets			
a) Gross Block	3	83,345,338	83,218,262
Less : Depreciation		35,433,130	31,510,737
b) Net Block		52,912,208	51,707,525
Add: Capital Work In Progress		34,989.667	328,801
Sub-Total		87,901,875	52,036,326
2. Investments	4	953,410,053	953,404,053
3. Current Assets, Loans & Advances	5	222,315,457	221,859,901
Less : Current Liabilities & Provisions	6	16,372,962	11,249,559
Net Current Assets		205,942,495	210.610,343
TOTAL		1,247,254,423	1,216,050,722
NOTES ON ACCOUNTS	12		

For Balarami & Nagarjuna
Chartered Accountants

(G. Pulla Reddy)
Partner

Place : Hyderabad
Date : 27-06-2006

(Bhaskar Rao Madala)
Whole - Time Director

(B.S. Srinivasan)
Director

For and on behalf of the Board
of SoftSol India Limited

(Dr. T. Hanuman Chowdary)
Director

(C. Lalitha)
Company Secretary

PROFIT & LOSS ACCOUNT OF SOFTSOL INDIA LIMITED FOR THE YEAR ENDED 31ST MARCH 2006

	Schedule No.	Current Year 31-03-2006 (in Rupees)	Previous Year 31-03-2005 (in Rupees)
INCOME			
Income from Software Exports	7	64,536,740	57,988,558
Other Income	8	12,557,536	12,803,278
TOTAL INCOME (A)		77,094,276	70,791,836
EXPENDITURE			
Personnel Expenses	9	27,503,276	11,806,118
Operating & Administration Expenses	10	11,565,876	41,693,141
Financial Charges	11	276,492	140,126
TOTAL EXPENDITURE (B)		39,345,644	53,639,385
PROFIT BEFORE DEPRECIATION & TAX (A-B)		37,748,632	17,152,451
Depreciation	3	4,544,931	5,397,992
PROFIT BEFORE TAX		33,203,701	11,754,459
Public Issue Exp. Written Off		-	5,922,580
NET PROFIT BEFORE TAX		33,203,701	5,831,879
Provision for Taxation		2,000,000	2,200,000
PROFIT FOR THE YEAR/PERIOD		31,203,701	3,631,879
Balance brought forward from previous year		198,063,674	194,794,982
AMOUNT AVAILABLE FOR APPROPRIATION		229,267,375	198,426,861
APPROPRIATIONS			
Transfer to General Reserve		-	363,188
Balance Carried Forward to Balance Sheet		229,267,375	198,063,673
		229,267,375	198,426,861
Earning Per Share (Basic & Diluted)		1.68	0.19
NOTES ON ACCOUNTS	12		

For Balarami & Nagarjuna
Chartered Accountants(G. Pulla Reddy)
PartnerPlace : Hyderabad
Date : 27-06-2006(Bhaskar Rao Madala)
Whole - Time Director(B.S. Srinivasan)
DirectorFor and on behalf of the Board
of SoftSol India Limited(Dr. T. Hanuman Chowdary)
Director(C. Lalitha)
Company Secretary

SCHEDULES FORMING PART OF THE BALANCE SHEET

		As at 31-03-2006 (in Rupees)	As at 31-03-2005 (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			
1,86,27,608 Equity shares of Rs.10/- each		186,276,080	186,276,080
28,200 Equity shares of Rs.5/- each partly paid up		141,000	141,000
		186,417,080	186,417,080
Shares Forfeited			
7,99,822 Equity shares of Rs. 5/- each		3,999,110	3,999,110
T O T A L		190,416,190	190,416,190
02. RESERVES AND SURPLUS			
	Opening Balance. 01.04.2005	Additions	Closing Balance 31.03.2006
Share Premium Account	757,880,730	-	757,880,730
General Reserve	69,690,129	-	69,690,129
Profit & Loss Account	198,063,673	31,203,701	229,267,374
T O T A L	1,025,634,532	31,203,701	1,056,838,233
04. INVESTMENTS			
NSC			
		6,000	
Unquoted			
Long Term Investments In Subsidiary (13,120 common stock of USD 100 each)		953,404,053	953,404,053
T O T A L		953,410,053	953,404,053

Name Of The Assets	GROSS BLOCK						DEPRECIATION				NET BLOCK	
	As On 01-04-2005	Additions During The Year	Deductions During The Year	As On 31.03.2006	Up To 01.04.2005	Deductions	During The Year	Total	As On 31.03.2006	Rs. As On 31.03.2005		
Land	13,918,307	2,897,185	-	16,815,492	-	-	-	-	16,815,492	13,918,307		
Building	30,001,692	-	-	30,001,692	7,476,937	-	1,126,238	8,603,175	21,398,517	22,524,755		
Computers	3,778,830	596,750	-	4,375,580	3,047,880	-	386,541	3,434,421	941,159	730,950		
Computers-Imported	9,314,387	1,479,115	-	10,793,502	7,380,508	-	797,866	8,178,374	2,615,128	1,933,879		
Air Condition System	4,342,771	-	-	4,342,771	2,040,155	-	320,294	2,360,449	1,982,322	2,302,616		
Generator	785,000	-	-	785,000	465,415	-	44,454	509,869	275,131	319,585		
Lift	741,985	-	-	741,985	437,639	-	42,335	479,974	262,011	304,346		
UPS	1,426,636	-	-	1,426,636	505,532	-	128,126	633,658	792,978	921,104		
Furniture & Fixtures	9,577,950	150,094	-	9,728,044	50,94,881	-	824,840	5,919,721	3,808,323	4,483,069		
Electrical Installation	4,940,281	74,575	-	5,014,856	2,825,984	-	395,031	3,221,015	1,793,841	2,114,297		
Office Equipment	1,005,256	400,693	-	1,405,949	295,367	-	143,099	438,466	967,483	709,890		
Office Equipment-Imp	463,645	-	-	463,645	165,530	-	41,468	206,998	256,647	298,113		
Canteen Equipment	61,040	-	-	61,040	33,497	-	3,831	37,328	23,712	27,543		
Motor & Borewell	99,794	-	-	99,794	63,591	-	5,036	68,627	31,167	36,203		
Vehicles	2,546,411	-	799,050	1,747,361	1,561,611	622,537	213,877	1,152,951	594,410	984,800		
Xerox Machine - Imp	195,685	-	-	195,685	105,885	-	12,491	118,376	77,309	89,800		
Software	-	327,714	-	327,714	-	-	57,908	57,908	269,806	-		
Library	18,592	-	-	18,592	10,323	-	1,497	11,820	6,772	8,268		
T O T A L	83,218,262	5,926,126	799,050	88,345,338	31,510,735	622,537	4,544,932	35,433,130	52,912,208	51,707,525		
Previous Year Total	89,869,063	6,658,792	13,309,593	83,218,262	35,978,318	9,865,573	5,397,993	31,510,737	51,707,525	53,890,745		

03. FIXED ASSETS

in Rupees

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31-03-2006 (in Rupees)	As at 31-03-2005 (in Rupees)
05 CURRENT ASSETS, LOANS AND ADVANCES		
(A) CURRENT ASSETS		
SUNDRY DEBTORS (Unsecured, Considered Good)		
Less than 6 Months	21,208,860	-
More than 6 Months	-	-
Cash in Hand	66,096	3,139
BANK BALANCES		
With Scheduled Banks :		
in Current Accounts	30,800,419	22,128,521
in Fixed Deposits	143,752,846	181,252,129
Unclaimed Dividend - Corp. Bank	1,423,932	1,424,632
T O T A L (A)	197,252,153	204,808,421
(B) LOANS AND ADVANCES		
(Advances recoverable in cash or in kind or for value to be received)		
Advance for Capital Works	965,147	52,677
Deposits	619,458	571,896
Prepaid Expenditure	222,900	382,336
Intercorporate Loans	1,717,800	1,543,800
Advance Income Tax	16,371,859	10,858,022
Tax Deducted At Sources	4,319,859	2,834,574
Interest Accrued but not due	777,088	362,004
Advance for Expenses	69,193	446,172
T O T A L (B)	25,063,304	17,051,481
T O T A L (A + B)	222,315,457	221,859,902
06 CURRENT LIABILITIES & PROVISIONS		
Current Liabilities		
Creditors for Capital Goods	3,591,321	-
Other Liabilities	3,500,711	3,899,769
Provisions		
Provision for Taxation	7,650,000	5,650,000
Provision for Gratuity	206,998	275,158
Unclaimed Dividend	1,423,932	1,424,632
T O T A L	16,372,962	11,249,559

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

	Current Year (in Rupees)	Previous Year (in Rupees)
07 SOFTWARE EXPORTS		
Onsite	-	37,129,404
Off Shore	64,536,740	20,859,154
TOTAL	64,536,740	57,988,558
08 OTHER INCOME		
Interest on Fixed Deposits	1,588,754	591,273
Interest on Loan	84,909	100,283
Lease Rentals	5,623,843	4,527,283
Dividend income from Mutual Funds	5,111,305	5,274,774
Short term Capital Gain	25,238	2,153,260
Other Income	123,487	156,405
TOTAL	12,557,536	12,803,278
09 PERSONNEL EXPENSES		
Salaries, Wages	24,404,302	10,479,421
Contribution to PF and other statutory Funds	1,080,189	595,198
Staff welfare	1,153,260	503,037
Medical Reimbursement	239,525	111,462
Bonus	626,000	117,000
TOTAL	27,503,276	11,806,118
10. Finance Charges		
Interest Paid	245,057	-
Bank Charges	31,435	140,126
TOTAL	276,492	140,126

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

	Current Year (in Rupees)	Previous Year (in Rupees)
11. Operating And Administration Expenses		
Rent, Rates & Taxes	565,382	696,501
Repairs & Maintenance		
-On Equipment	79,899	192,536
-Building Maintenance	153,526	131,901
-Others	906,848	448,004
Advertisement	88,034	157,677
Training Expenses	305,180	-
Recruitment Expenses	295,578	779,954
Communication Charges	701,568	438,201
Printing & Stationery	271,604	199,577
S T P I - Service Charges	100,000	50,000
Directors Remuneration		
-Salaries	840,000	787,500
-Gratuity	131,538	28,385
-Provident Fund	54,720	57,600
Sitting Fee	70,000	62,000
Auditors Remuneration		
-Audit Fee	33,672	33,060
-Tax Audit	11,224	11,020
-Other Services	11,224	16,120
-Incidental Exp.	6,351	949
Legal & Professional Services	557,472	1,544,182
Travelling expenses		
-Director's	790,269	256,037
-Others	489,072	776,567
On Site Expenses	-	28,562,624
General Expenses	328,036	46,364
Electricity Charges	1,387,713	440,639
Conveyance	674,778	323,400
Books & Periodicals	15,010	13,055
Business Promotion	5,030	20,293
Security Service Charges	222,044	119,592
Loss from Investment for Mutual Funds	-	6,719
Soft Link Charges	1,469,463	1,386,515
Assets Written off	-	3,444,019
Foreign Exchange Fluctuations	164,444	285,576
Donations	51,116	10,000
Registration & Filling Fee	-	3,520
ISO Expenses	92,600	26,452
Insurance	692,481	336,602
TOTAL	11,565,876	41,693,141

SCHEDULE – 12: Statement of Significant Accounting policies and Notes forming part of the accounts for the year ended March 31, 2006**I. Significant Accounting Policies****System of Accounting**

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

The company follows the mercantile system of accounting and recognizes income and expenditure on accrual basis including provisions, adjustments for committed obligations and amounts determines as payable or receivable during the period.

Fixed Assets

Fixed Assets are accounted at cost of acquisition inclusive of inward freight, duties and taxes, and incidentals related to acquisitions.

Capital Work-in-Progress

Advances paid towards the acquisition of the fixed assets, and the cost of the assets not put to use before the year-end are disclosed under capital work-in-progress.

Depreciation

Depreciation is provided on the Written Down Value Method at the rates and in the manner specified in schedule XIV of the Companies Act, 1956.

Prior Period Adjustments

Income and Expenditure relating to prior period exceeding Rs. 5,000/- in each case is accounted under prior period.

Investments

Long term Investments are valued at cost after deducting, if any, in cases where the fall in the market value has been considered of permanent nature.

Foreign Currency Transactions

a) Sales made to clients outside India and realization deposited into foreign currency bank accounts are accounted for on the basis of the exchange rate as on the date of the transaction. Adjustments are made for any variations in the sales proceeds on conversion into Indian currency upon actual receipt.

b) Expenditure in foreign currency is accounted 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.

c) 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.

d) Other liabilities denominated in foreign currency are translated at the date of the balance sheet. The resulting difference is adjusted in the relevant account.

e) Net foreign exchange difference on foreign currency transactions are recognized in the profit and loss account during the year.

Employee Retirement Benefits

Company's contribution to Provident fund and Employee State Insurance funds is charged to profit and loss account. Gratuity & leave encashment benefits at the time of retirement are charged to on the basis of actuarial valuation.

Income Tax

Provision is made for income tax on Taxable Income basis, under the tax payable method, based on the tax liability as computed after taking credit for allowances, prepaid taxes and exemptions.

II. Notes on Accounts**Managerial Remuneration**

Managerial Remuneration paid to Whole Time Director

	During the year ended 31-03-2006 (in Rs.)	During the year ended 31-03-2005 (in Rs.)
Salaries & Other Allowances	8,40,000	7,87,500
Provident Fund	54,720	57,600
Gratuity	1,31,538	28,385

No computation of profit under section 350 of the Companies Act, 1956 has been given, since no commission is paid to Directors.

Dues to Small Scale Units

There are no SSI units whom an amount in excess of Rs. 1.00 Lac each is due for more than 30 days as at 31-03-2006.

Foreign Exchange Earnings

Foreign exchange of an amount of Rs. 6,45,36,740/- is earned during the year ended 31-03-2006. Foreign exchange of an amount of Rs. 5,79,88,558/- was earned during the corresponding previous year ended 31-03-2005.

Transactions in Foreign Exchange

	31-03-2006 (in Rs.)	31-03-2005 (Rs.)
Imports on CIF basis Capital Goods	13,96,253	Nil
Traveling Expenditure	5,93,604	Nil

Deferred Tax:

Due to the fiscal concession/exemptions available to the company as per the prevailing provisions of the Income Tax Act, 1961 and taking into account all timing differences those originated up to the year ended 31st March 2006 would result deferred tax asset only. Hence the directors of the company are of the opinion that no provision is necessary for the deferred tax asset as on 31st March 2006 as per Accounting Standard 22 issued by the Institute of Chartered Accountants of India.

Segment Reporting:

Due to only one source of revenue from software exports, which are being made to company's 100% owned subsidiary company at USA. Moreover the other income does not exceed 10% of total revenue for the year ended on 31st March 2006. Hence the directors of the company are of the opinion, that only one segment therefore segment reporting is not required to the company as per Accounting Standard 17 issued by the Institute of Chartered Accountants of India.

Related Party Disclosures***SoftSol Technologies Inc, USA (STI)***

SoftSol Technologies Inc., (STI) holds 47.64% of the total shareholding of SoftSol India Limited. However there have been no transactions between SIL & STI during the financial year ended 31-03-2006 and in the corresponding previous year.

SoftSol Resources Inc USA (SRI)

SoftSol India Limited holds 100% shareholding of SRI and hence SRI is a wholly owned subsidiary of SIL. The following are transactions of the company with the SRI as of 31-03-2006:

	31-03-2006 (in Rs.)	31-03-2005 (in Rs.)
Sales	6,45,36,740	5,79,88,558
Onsite Expenditure	NIL	2,85,62,624

No Loans and Advances in the nature of loans to Subsidiaries/associates/firms/companies, in which directors are interested, have been made in the current financial year.

Income Tax Liability

1. Demand for an amount of Rs. 1,82,38,564/- was made by the Income tax department against the profit earned during the financial year ended 31-03-2001. Income Tax Tribunal has granted part relief against the said demand during the year 2004-05. For the remaining amount the Company has filed appeal before Honorable High Court, Andhra Pradesh for adjudication.

2. Demand for an amount of Rs. 1,21,54,880/- has been made by the Income tax department against the profit earned during the financial year ended 31-03-2002. No provision is made in the current financial year as the matter is pending before ITAT (Income Tax Appellate Tribunal).

3. Demand for an amount of Rs. 37,53,354/- has been made by the Income tax department u/s 201(1) of the Income Tax Act for not deducting the tax at source during the financial year ended 31-03-2002. No provision is made in the current financial year as the matter is pending before Commissioner Appeal for adjudication.

4. Demand for an amount of Rs. 67,60,016/- has been made by the Income tax department against the profit earned during the financial year ended 31-03-2003. No provision is made in the current financial year as the matter is pending before Commissioner Appeal for adjudication.

Earnings per Share

a) Net Profit of Rs. 3,12,03,700/- is used as the numerators in calculating basics and diluted earnings per share.

b) Weighted number of 1,86,27,608 shares of nominal of Rs. 10 each outstanding at the end of the financial year used as the denominator in calculating basic and diluted earnings per share.

Grouping

Previous years figures have been re-grouped wherever necessary to confirm to the current years figures.

**For Balarami & Nagarjuna
Chartered Accountants**

**(G. Pulla Reddy)
Partner**

Place : Hyderabad
Date : 27-06-2006

**(Bhaskar Rao Madala)
Whole - Time Director**

**(B.S. Srinivasan)
Director**

**For and on behalf of the Board
of SoftSol India Limited**

**(Dr. T. Hanuman Chowdary)
Director**

**(C. Lalitha)
Company Secretary**

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006

Rs. In Lakhs

	Year ended 31-03-2006	Year ended 31-03-2005
A CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before Tax and Extraordinary Items	332.04	58.32
Adjustments for :		
Depreciation	45.45	53.98
Interest paid	2.76	-
Interest ,Dividend etc., received	(16.74)	(59.67)
Preliminary Expenses W/off	-	59.23
Loss from Sale of Mutual Funds	-	0.06
Assets written off	-	34.44
Profit on sale of assets	(1.23)	-
Operating Profit before Working Capital changes	362.28	146.36
Adjustments for Working Capital:		
Current Liabilities	31.24	32.92
Sundry Debtors	(212.09)	-
Loans & Advances	(20.83)	43.89
Net Cash flow from Operating Activities	160.60	223.17
B CASH FLOW FROM INVESTING ACTIVITIES :		
Interest paid	(2.76)	-
Interest , Dividend etc., received	12.59	56.16
Purchase of Fixed Assets	(405.87)	(66.12)
Sale of Fixed Assets	3.00	-
Income Tax Paid	(55.14)	(69.43)
Investments	(0.06)	(26.55)
Net Cash flow from Investing Activities	(448.25)	(105.94)
C CASH FLOW FROM FINANCING ACTIVITIES :		
Unsecured Loan	-	(433.90)
Dividend Paid	(0.01)	(0.30)
Net Cash flow from Financing Activities	(0.01)	(434.20)
Net Increase in Cash and Cash Equivalents	(287.65)	(316.97)
Opening Cash and Cash Equivalents	2048.08	2,365.05
Closing Cash and Cash Equivalents	<u>1760.43</u>	<u>2,048.08</u>
	(287.65)	(316.97)

For Balarami & Nagarjuna
Chartered Accountants(G. Pulla Reddy)
PartnerPlace : Hyderabad
Date : 27-06-2006(Bhaskar Rao Madala)
Whole - Time Director(B.S. Srinivasan)
DirectorFor and on behalf of the Board
of SoftSol India Limited(Dr. T. Hanuman Chowdary)
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: 31.03.2006

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

Public Issue:	Nil	Rights Issue:	Nil
Bonus Issue:	Nil	Private Placement:	Nil

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

Total Liabilities:	1247254	Total Assets:	1247254
Sources of Funds			
Paid up Capital:	190416	Reserves & Surplus:	1056838
Secured Loans:	Nil	Unsecured Loans:	Nil
Application of Funds:			
Net Fixed Assets:	87902	Investments:	953410
Net Current Assets:	205942	Misc. Expenditure:	Nil
Accumulated Losses:	Nil		

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

Turnover:	64537	Total Expenditure:	39346
Profit/Loss before Tax:	33204	Profit/Loss after Tax:	31204
Earning per Share:	0.68	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 : 27-06-2006

(Bhaskar Rao Madala)
Whole-time Director

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, 2005
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 SoftSol India Limited	
i) Dealt within the Accounts of SoftSol India Limited	Nil
ii) Not Dealt within the Accounts of SoftSol India Limited	USD 23952
4. Net Aggregate Amount of Profits / (Losses) of the Subsidiary for the previous financial year so far as they concern Members of SoftSol India Limited	
i) Dealt within the Accounts of SoftSol India Limited	Nil
ii) Not Dealt within the Accounts of SoftSol India Limited	USD 699834

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 : 27-06-2006

(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
An Accountancy Corporation
California, USA.
Website : www.chugh.com

Board of Director's Report 2005

Dear Members

Your Directors take pleasure in presenting their report for the financial year 2005.

The Financial Highlights :

(USD in 000's)

Particulars	2005	2004
Total Revenue	14,573	11,490
Other Income	30	66
Total Operating Expense	14,537	11,473
Provision for Taxation	43	13
Net Profit	24	70

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

SoftSol Resources Inc., USA

Independent Auditors' Report

To,
The Stockholders and Board of Directors,
SoftSol Resources, Inc.

We have audited the accompanying balance Sheet of SoftSol Resources, Inc., as of December 31, 2005 and the related statements of income, retained earnings and cash flow for the year then ended. These financial statements are the responsibilities 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 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 positions of SoftSol Resources Inc., as of December 31, 2005, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States. The information included in the accompanying Schedules 1 to 4 are presented only for supplementary analysis purpose.

The Chugh Firm
May 17, 2006

SoftSol Resources Inc., USA

BALANCE SHEET AS OF DECEMBER 31, 2005

	As of 31.12.2005 in USD	As of 31.12.2005 in Rs.	As of 31.12.2004 in USD
	1 USD = 44.61		
Assets			
Current Assets			
Cash and Cash Equivalents	411,653	18,363,480	631,127
Accounts Receivable	1,966,899	87,743,364	1,737,105
Less: Allowance for doubtful Accounts	(48,492)	(2,163,228)	(52,802)
Cost and estimated earnings in excess of Billings on uncompleted contracts	507,000	22,617,270	-
Receivable Others	100,000	4,461,000	24,000
Interest Receivables	1,000	44,610	-
Employee Advances	7,844	349,921	8,059
Prepaid Insurance	31,113	1,387,951	43,013
Prepaid State Income tax	-	-	2,193
Prepaid Federal Income Taxes	20,531	915,888	1,788
Prepaid Rent	11,733	523,409	11,931
Deferred tax asset	20,497	914,371	19,510
Total Current Assets	3,029,778	135,158,396	2,425,924
Property & Equipment			
Property and Equipment	263,726	11,764,817	485,394
Less : Accumulated Depreciation	(162,261)	(7,238,463)	(355,574)
Total Property & Equipment	101,465	4,526,354	1,29,820
Other Assets			
Investment	203,322	9,070,194	203,322
Differed Tax Assets	9,154	408,360	-
Restricted Cash	975,000	43,494,750	-
Refundable Deposits	9,032	402,918	9,032
Total Other Assets	1,196,508	53,376,222	212,354
Total Assets	4,327,751	193,060,972	2,768,098
Liabilities and Stock Holders equity			
Current Liabilities			
Account Payable - Trade	1,819,019	81,146,438	549,248
Accrued Production Cost	338,000	15,078,180	-
Other Current Liabilities	134,946	6,019,941	202,059
See Schedule-1-Stat. of other current Liabilities			
Total Current Liabilities	2,291,965	102,244,559	751,307
Differed Tax Liabilities	-	-	4,957
	-	-	-
Total Liabilities	2,291,965	102,244,559	756,264
Stockholders Equity			
Common Stock, \$ 100 par, 1,000,000 shares authorised, 13,120 shares issued and outstanding	1,312,000	58,528,320	1,312,000
Retained Earnings	723,786	32,288,137	699,834
Total Stockholders Equity	2,035,786	90,816,457	2,011,834
Total Liabilities and Stock holders Equity	4,327,751	193,061,016	2,768,098

SoftSol Resources Inc., USA

STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2005

	As of 31.12.2005 inUSD	As of 31.12.2005 in Rs.	As of 31.12.2004 inUSD
1 USD = 44			
Revenue			
Consulting Income	14,573,348	641,227,312	11,489,655
Total Revenue	14,573,348	641,227,312	11,489,655
Cost of Sales			
See Schedule 2- Analysis of Cost of Sales	12,553,866	552,370,104	9,540,796
Gross Profit	2,019,482	88,857,208	1,948,859
Operating Expenses			
Selling Expenses			
See Schedule 3-Analysis of Selling Expenses	689,956	30,358,064	792,759
General & Administrative Expenses			
See Schedule 4-Analysis of G & A Expenses	1,293,220	56,901,680	1,139,417
Total operating expenses	1,983,176	87,259,744	1,932,176
Income from operations	36,306	1,597,464	16,683
Other Income (Other Expenses)			
Interest Income	5,026	221,144	147
Dividend Income	9,077	399,388	1,731
Rental Income	-	-	48,000
Other Income	49,018	2,156,792	11,061
Gain on Sale of Auto	-	-	6,248
Loss on Disposal of Assets	(3,535)	(155,540)	-
Interest Expense	(29,244)	(1,286,736)	-
Other Expenses			(1,500)
Total Other Income	30,342	1,335,048	65,687
Income from Operations before Income Taxes	66,648	2,932,512	82,370
Provision for Income Taxes			
Federal Income Tax-Current	43,769	1,925,836	32,212
State Income tax-Current	14,024	617,056	12,585
Federal Income Tax-Deferred	(9,966)	(438,504)	(22,994)
State Income Tax-Deferred	(5,131)	(225,764)	(8,994)
Total Provision for Income Tax	42,696	1,878,624	12,809
Net Income	23,952	1,053,888	69,561
Earnings per Share (13,120 shares)	1.83	80.52	5.30
Statement of Retained Earnings			
Retained Earnings, January 1, 2005	699,834	30,792,696	630,273
Net Income	23,952	1,495,441	69,561
Retained Earnings, December 31, 2005	723,786	32,288,137	699,834

SoftSol Resources Inc., USA

Schedule-1
Analysis of other current liabilities

	As of 31.12.2005 in USD	As of 31.12.2005 in Rs.	As of 31.12.2004 in USD
Accrued vacation leave	-	-	74,916
Payroll Taxes Payable	11,159	497,803	10,464
Flexible Spending Payable	12,913	576,049	12,913
State Income tax Payable	3,852	171,838	1,070
Accrued Wages & Salaries	87,212	3,890,527	74,325
401K Payable	9,810	437,624	18,371
Customer Deposit	10,000	446,100	10,000
Total Other Current Liabilities	134,946	6,019,941	202,059

Schedule-2
Analysis of Cost of Sales

Consulting Outsourced	6,386,159	280,990,996	4,254,658
Consulting Outsourced-SIL	1,156,000	50,864,000	554,980
Salaries & Wages - Consultants	4,082,116	179,613,104	3,845,489
Taxes-Payroll-Consultants	327,364	14,404,016	320,512
Per Diem - Consultant	259,248	11,406,912	198,219
Insurance Medical & Dental	110,284	4,852,496	162,649
Out of station allowance	-	-	103,365
Legal & Immigration-Consultants	71,718	3,155,592	42,842
Moving Expenses-Consultants	-	-	1,896
Professional Development	54,321	2,390,124	16,616
Travel	104,854	4,613,576	39,215
Purchases	1,802	79,288	355
Total Cost of Sales	12,553,866	552,370,104	9,540,796

Schedule-3
Analysis of Selling Expenses

Auto Expenses	-	-	1,524
Advertising & Promotional	-	-	-
Salaries & Wages	602,500	26,510,000	700,376
Taxes-Payroll	40,309	1,773,596	49,918
Insurance Medical & Dental	47,147	2,074,468	40,021
Per Diem/Out of Station Allowances	-	-	920
Total Selling Expenses	689,956	30,358,064	792,759

SoftSol Resources Inc., USA

**Schedule-4
General & Administrative Expenses**

	As of 31.12.2005 in USD	As of 31.12.2005 in Rs.	As of 31.12.2004 in USD
Auto Expenses	52,867	2,326,148	42,578
Bad debt Expenses	38,139	1,678,116	34,245
Bank Charges	30,294	1,332,936	17,658
Charitable Contribution	2,095	92,180	-
Depreciation	46,073	2,027,212	66,254
Dues & Publication	13,850	609,400	13,120
Equipment Rental	3,391	149,204	1,727
Employee Benefits	12,707	559,108	-
Freight & Postage	8,730	384,120	7,827
Internet Access & Web Hosting	8,555	376,420	9,828
Insurance	94,556	4,160,464	36,805
Janitorial	7,892	347,248	-
Legal Fees	70,572	3,105,168	8,084
Meals & Entertainment	22,780	1,002,320	15,831
Miscellaneous Expenses	38,724	1,703,856	12,842
Moving Expenses	975	42,900	400
Office Expenses	7,035	309,540	40,015
Officers Salaries & Wages	274,482	12,077,208	170,480
Outside Services	22,833	1,004,652	65,729
Per Diem/Out of Station Allowances	3,524	155,056	-
Professional Fees	106,012	4,664,528	57,667
Professional Development	9,586	421,784	10,683
Recruiting	39,558	1,740,552	44,410
Rent	148,098	6,516,312	142,413
Salaries & Wages	98,988	4,355,472	179,689
Supplies	13,621	599,324	19,570
Taxes, Permits & Licenses	7,160	315,040	5,431
Taxes Payroll	23,024	1,013,056	17,774
Taxes-Property	-	-	1,106
Taxes State Prior Year	145	6,380	-
Telephone	46,674	2,053,656	35,611
Travel	18,503	814,132	63,309
Repairs & Maintenance	1,133	49,852	209
Staff welfare	-	-	460
Utilities	20,644	908,336	17,662
Total General & Administrative Expenses	1,293,220	56,901,680	1,139,417

STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2005

	Year ended 31-12-2005 (in USD)	Year ended 31-12-2005 (in Rs.)	Year ended 31-12-2004 (in USD)
Cash Flows from Operating Activities			
Net Income	23,951	1,068,454	69,561
Adjustments to reconcile Net Income to Net Cash Provided by Operations :			
Depreciation	46,073	2,055,317	66,254
Provision for Bad and Doubtful Accounts	38,139	1,701,381	34,245
Prior period adjustment	-	-	18,799
Changes in Operating Assets & Liabilities:			
Increase in Accounts Receivable	(248,242)	(11,074,076)	(140,692)
Increase in Cost & Estimated Earnings in excess of billing	(507,000)	(22,617,270)	-
Increase in Pre paid Expenses	(4,452)	(198,604)	10,916
Decrease in Employee Advances	215	9,591	6,729
Increase in receivable others	(101,000)	(4,505,610)	-
Decrease in Deposits	-	-	5,000
Increase in Accounts payable	1,269,771	56,644,484	121,605
Increase in Accrued Production Cost	338,000	15,078,180	-
Increase/(Decrease) in Accrued Liabilities	(69,895)	(3,118,016)	56,341
Increase in Income Tax Payable	2,782	124,105	317
Increase in deferred tax asset	(10,141)	(452,390)	(19,510)
Deferred Tax Liabilities	(4,957)	(221,132)	(31,277)
Net Cash Provided by (used in) Operating Activities	773,244	34,494,415	198,288
Cash Flow from Investing Activities :			
Sale/(Purchase) of property and equipment	(17,718)	(790,400)	51,831
Investment in Stock	-	-	-
Net Cash provided by (used in) Investing Activities	(17,718)	(790,400)	51,831
Cash Flow from Financing Activities :			
Net Cash Provided by (used in) Financing Activities	-	-	-
Net Increase (Decrease) in Cash & Cash Equivalents	755,526	33,704,015	250,119
Cash & Cash Equivalents at the Beginning of the year	631,127	28,154,575	381,008
Cash & Cash Equivalents at the end of the Year	1,386,653	61,858,590	631,127
Supplementary Disclosure			
Interest paid during the year	29,244	1,304,575	-
Income Tax paid during the Year	71,706	3,198,805	33,212

Notes to Financial Statements

Note - 1 Nature of Business

SoftSol Resources, Inc. (the "Company") was incorporated in the state of California on January 11, 1993. It is a provider of E-commerce, network technology, internet infrastructure and other special technology areas. Its IT services include application development, system integration, IT consulting and staffing, IT project management, domestic and offshore outsourcing. SoftSol has diverse client-based ranging from large customers to small high-tech start up companies. The Company's vision is to create a global enterprise by taking a leading role in the 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 statements 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 effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the period reported. Actual results could differ from those estimates. Estimates are used in accounting for, among other things, allowances for uncollectible receivables, depreciation, employee benefits, taxes, restructuring reserves and contingencies. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the Financial Statements in the period they are determined to be necessary.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash in checking accounts and money market accounts. All short-term investments with an original maturity of 90 days or less are considered cash equivalents. Occasionally, the Company has cash deposited in two financial institutions in excess of federally insured limits.

Accounts Receivable

The company uses the Aging of the Accounts Receivable method for valuation of allowance for bad debts. Accordingly, the Company has written off all accounts that are deemed uncollectible. Therefore, Accounts Receivable represents the net realizable value.

Property and Equipment

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

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

The cost of significant additions and replacement of components is capitalized and depreciated while expenditures for maintenance and repairs are charged to expense as incurred. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the books and the resulting

SoftSol Resources Inc., USA

gain or loss is reflected in the determination of net income or loss. Depreciation expense for the year 2005 is \$46,073. Loss on disposal of assets during the year \$3,353.

Investment

The Company accounts for investment in private equity securities of less than 20% owned company using the cost method.

Revenue Recognition

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

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

The asset, costs and estimated earnings in excess of billings on uncompleted contracts, represents revenues recognised in excess of amounts billed. The liability, billings in excess of cost and estimated earnings on uncompleted contracts, represents billing in excess of revenues recognized. As of December 31, 2005, there are no billing in excess of cost and estimated earnings on uncompleted contracts.

Income Taxes

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

Earnings per share

In accordance with the provisions of 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.

Note 3 – Related Party Transactions

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

Mr Srinivasa Rao Madala , President of the Company , also owns Argonaut General Staffing, a Nevada Corporation.

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

The Company has entered into professional services agreement with SIL India, SoftSol Technologies, Inc and Argonaut General Staffing. Argonaut and STI occupy the office space from the Company. The following are transactions of the Company with these related parties of the year ended December 31, 2005:

SoftSol Resources Inc., USA

Argonaut General Staffing	Amount
Rental Income	\$ 18,000
Receivable	\$ 66,000
Consulting Outsourced	\$ 70,000
Consulting Income	\$ 30,000
SoftSol technologies Inc	Amount
Rental Income	\$ 6,000
Receivable - Others	\$ 12,000
Consulting Outsourced	\$ 97,500
SoftSol India Ltd.,	Amount
Consulting Outsourced	\$1,156,000
Accounts Payable	\$ 512,000

Note 4 – Commitments and Contingencies

The Company had entered in agreement with Ciena Corporation to sublease 11,730 square feet office located at 48383 Fremont Boulevard, Fremont, California on April 15, 2003. This lease agreement was terminated on November 30, 2005. A new lease agreement was signed with Dollinger-fremont Associates on December 1, 2005. The sublease had initial terms of 5 years, expiring on April 30, 2008.

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

Year	Amount
2006	\$ 104,632
2007	\$ 107,447
2008	\$ 36,128

The Company also leases apartments for use by employees assigned in different locations. These leases are normally on short-term basis depending on the length of the project.

Rent expense totaled \$148,098 for years 2005.

Note 5 – Letter of Credit

The Company has an approved standby letter of credit with Silicon Valley Bank in favour of California Public Employees' Retirement System ("CalPERS") a in the amount of \$975,000 and it is secured by time deposit in the same amount. This time deposit is classified as non-current assets.

Note 6 – Concentration of Credit risk

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

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

SoftSol Resources Inc., USA

The Company's sales to its major customer, Cisco totaled \$7.063 million that accounts for 50% of company's total revenue for the year. Accounts Receivable from Cisco as of December 31, 2005 is \$506,012 which is 28% of total balance of account receivable.

Note 7 – Cost and Estimated Earnings on Uncompleted Contracts

The Company entered into a fixed price contract with one of their customers. Deliverables based contracts will be invoiced after completion of each milestone event.

Information with respect to contracts in progress on December 31, 2005 :

Expenditures on Uncompleted Contracts	\$ 338,000
Estimated Earnings Thereon	\$ 169,000
Total Cost and Estimated Earnings on Uncompleted Contracts	\$ 507,000

Included in the accompanying balance sheet under the following captions :

Cost and Estimated Earnings in Excess of Billings on Uncompleted Contracts	\$ 507,000
--	------------

Note 8 – Accrued Production Costs

Contracts with one vendor are negotiated so that they cannot invoice the Company until certain milestones are reached in the project. When these milestones are reached, the vendor can invoice the Company a pre-determined (written into the contract) amount. As of December 31, 2005, there is \$ 388,000 recorded as accrued production cost.

Note 9 – Employee Advances

The advances given to employees are for travel related expenses to which the employees will support these expenses with receipts and any amount that cannot be substantiated by receipts will be refunded to the Company. As of December 31, 2005 the employee advances as balance of \$7,844.

Note 10 – Investment

Investment includes private equity investment in Vianeta Communications, a privately held company. The investment is a Series A Preferred Stock received as payment for consulting services rendered by the Company. It is accounted for using cost method, as the Company's ownership interest is less than 20%. Management believes that the carrying value of the investment approximated its fair value as on December 31, 2005, and therefore, no impairment charges were required.

Note 11 – Receivable Others

The Company has given an unsecured loan of \$ 100,000 to Agni Consulting Inc on August 29, 2005. This loan is due on demand and bears an interest of 3% p.a. Interest of \$ 1,000 is accrued as of December 31, 2005.

Note 12 – Income Taxes

The company accounts for income taxes under the provisions of Statement of Financial Accounting Standards No.109, "Accounting for Income Taxes," (SFAS 109). Under SFAS 109, deferred taxes are required to be classified based on the financial statement classification of the related assets and liabilities which give rise to temporary differences. Deferred taxes result from temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities.

All of the income before tax as shown in the Statement of Income for the year ended December 31, 2005 is derived in the United States.

SoftSol Resources Inc., USA

The provision for income taxes consisted of the following:

Year Ended		2005
Federal:		
Current	\$	43,769
Deferred	\$	(9,966)
State:		
Current	\$	14,024
Deferred	\$	(5,131)
Total Provision for income tax	\$	\$42,696

Significant components of the Company's deferred tax assets and liabilities at December 31, 2005, are as follows:

Deferred Tax Assets		
Current	\$	20,497
Non Current	\$	9,154
Deferred Tax Liability		
Current		-
Non Current		-

Note 13 – Accrued Payroll/Vacation Leave

Payroll Expenses of 97,022 for the pay period December 26 to 31, 2005 was accrued.

For the year 2005, the employees are no longer entitled to paid vacation leave. All Accrued Vacation has been paid as of December 31, 2005.

Note 14 – Employee Pension Plan

The Company had a 401(K) plan known as the SoftSol resources & MedSoft, Inc 401(K) plan known as the SoftSol Resources & Medsoft, Inc. 401(k) Plan (the "Plan") which was terminated on December 31, 2001. Total accumulated contribution as of December 31, 2005 of \$9,810 is payable to participants.

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

Note 15 - 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 medical expenses and childcare expenses. Beginning April 2003, employees stopped contributions to this plan. The company has \$12,913 as accumulated contribution into this account as of December 31, 2005.

Note 16 - Line of Credit

The Company has an approved line of credit with Silicon Valley Bank (SVB) for \$2.5 million with an interest rate of equal to the greater of 7.25% p.a. or SVB prime rate plus 1.5% per annum. This line of credit matures on July 16, 2006. Interest expenses for year is \$29,244.

Note 17-Stockholder's 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.

Consolidated Financial Statements And Notes
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, 2006, and the Consolidated Profit and Loss Account for the year then ended annexed thereto and the Consolidated 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 generally accepted auditing standards in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatements. 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.

We did not audit the financial statements of the subsidiary, whose financial statements reflect total assets of USD 43,27,751 as at 31st Decemeber, 2005 and total revenues of USD 14,573,348 for the year then ended. These 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 consolidated financial statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Company and its subsidiary, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India.

- (a) In the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Company and its subsidiary as at 31st March, 2006;
- (b) In the case of the Consolidated Profit & Loss account of the profit of the company and its subsidiary for the year then ended.
- (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 Balarami & Nagarjuna
Chartered Accountants

Place : Hyderabad
Date : 27-06-2006

(G. Pulla Reddy)
Partner
M.M.No. 201199

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH'2006

	Schedule No.	As at 31-03-2006 (in Rupees)	As at 31-03-2005 (in Rupees)
I (A) SOURCE OF FUNDS			
1. Share Holder's Funds			
(a) Share Capital	01	190,416,190	190,416,190
(b) Reserves and Surplus	02	1,089,126,327	1,056,252,270
TOTAL		1,279,542,517	1,246,668,460
II (B) APPLICATION OF FUNDS			
1. Fixed Assets			
a) Gross Block	03	994,991,889	1,000,458,303
Less: Depreciation		42,671,593	47,067,100
b) Net Block		952,320,296	953,391,203
Add : Capital Work In Progress		34,989,667	328,801
		987,309,963	953,720,004
2. Investments		9,070,194	8,895,338
3. Current Assets, Loans & Advances	04	401,779,881	328,389,227
Less : Current Liabilities & Provisions	05	118,617,521	44,336,109
Net Current Assets		283,162,360	284,053,118
TOTAL		1,279,542,517	1,246,668,460
NOTES ON ACCOUNTS	09		

For Balarami & Nagarjuna
Chartered Accountants

(G.Pulla Reddy)
Partner

Place : Hyderabad
Date : 27-06-2006

For and on behalf of the Board
of SoftSol India Limited

(Bhaskar Rao Madala)
Whole-time Director

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH'2006

	Schedule No.	Current Year 31-03-2006 (in Rupees)	Previous Year 31-03-2005 (in Rupees)
INCOME			
Consulting Income		641,227,312	500,604,268
Other Income	06	15,776,369	15,665,261
TOTAL INCOME (A)		657,003,681	516,269,529
EXPENDITURE			
Personnel Expenses	07	286,193,050	250,875,666
Operating & Administration Expenses	08	324,764,600	240,843,858
Financial Charges		2,896,164	909,485
TOTAL EXPENDITURE (B)		613,853,814	492,629,009
PROFIT BEFORE DEPRECIATION & TAX (A-B)		43,149,867	23,640,520
Depreciation		6,572,144	8,284,679
PROFIT BEFORE TAX		36,577,723	15,355,841
Public Issue Exp. Written Off		-	5,922,579
NET PROFIT BEFORE TAX & PRIOR PERIOD EXP.		36,577,723	9,433,262
Provision for Taxation		3,878,624	2,758,088
PROFIT FOR THE YEAR		32,699,099	6,675,174
Balance brought forward from previous year		228,856,370	222,369,426
		261,555,469	229,044,600
AMOUNT AVAILABLE FOR APPROPRIATION		261,555,469	229,044,600
APPROPRIATIONS			
Transfer to General Reserve		3,120,370	363,188
Balance Carried Forward to Balance Sheet		258,435,099	228,681,412
		261,555,469	229,044,600
		1.76	0.36
NOTES ON ACCOUNTS	09		

For Balarami & Nagarjuna
Chartered Accountants

(G.Pulla Reddy)
Partner

Place : Hyderabad
Date : 27-06-2006

For and on behalf of the Board
of SoftSol India Limited

(Bhaskar Rao Madala)
Whole-time Director

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31-03-2006 (in Rupees)	As at 31-03-2005 (in Rupees)	
01. SHARE CAPITAL			
Authorised			
50,000,000 Equity Shares of Rs.10/- each	500,000,000	5,00,000,000	
Issued			
19,681,430 Equity Shares of Rs.10/- each (Previous year 14,350,00 Equity Shares of Rs.10/- each)	196,814,300	196,814,300	
Subscribed			
19,455,630 Equity shares Rs.10/- each (Previous year 14,124,200 equity shares of Rs.10/- each)	194,556,300	194,556,300	
Paid Up Capital			
1,86,27,608 Equity shares of Rs.10/- each	186,276,080	186,276,080	
28,200 Equity shares of Rs.5/- each party paid up	141,000	141,000	
	186,417,080	186,417,080	
Shares Forfeited			
7,99,822 Equity shares of Rs.5/- each	3,999,110	3,999,110	
TOTAL	190,416,190	190,416,190	
02. RESERVES AND SURPLUS			
	Opening Balance 01.04.2005	Additions	Closing Balance 31.03.2006
Share Premium Account	757,880,730	-	757,880,730
General Reserve :	69,690,128	3,120,370	72,810,498
Profit & Loss Account :			
Balance as per annexed account	228,856,370	29,578,729	258,435,099
TOTAL	1,056,427,228	32,699,099	1,089,126,327

03. FIXED ASSETS

In Rs.

Name of the Assets	GROSS BLOCK AS AT 31-03-2006	ACCUMULATED DEPRECIATION	NET BLOCK AS AT 31-03-2006
Good Will	894,881,733	-	894,881,733
Land	16,815,492	-	16,815,492
Building	30,001,692	8,603,175	21,398,517
Computers	4,375,580	3,434,421	941,159
Computers - Imported	10,793,502	8,178,374	2,615,128
Air Condition System	4,342,771	2,360,449	1,982,322
Generator	785,000	509,870	275,130
Lift	741,985	479,974	262,011
UPS	1,426,636	633,658	792,978
Furniture & Fixtures	9,728,044	5,919,721	3,808,322
Electrical Installation	5,014,856	3,221,015	1,793,841
Office Equipment	1,405,949	438,467	967,482
Office Equipment - Imp	463,645	206,997	256,647
Canteen Equipment	61,040	37,328	23,712
Motor & Borewell	99,794	68,627	31,167
Vehicles	1,747,361	1,152,951	594,410
Xerox Machine - Imp	195,685	118,376	77,309
Library	18,592	11,820	6,772
Software	327,714	57,908	-
Subsidiary's asset	11,764,817	7,238,463	4,526,354
TOTAL	994,991,889	42,671,593	952,320,296

SCHEDULES FORMING PART OF THE BALANCE SHEET

	As at 31-03-2006 (in Rupees)	As at 31-03-2005 (in Rupees)
04. CURRENT ASSETS, LOANS AND ADVANCES		
(A) CURRENT ASSETS		
Cash and cash equivalents		
Accounts receivable	113,413,224	77,048,344
less: allowance for doubtful debts	(2,163,228)	(2,310,088)
Cash in Hand	18,429,936	27,614,946
BANK BALANCES		
With Scheduled Banks :		
in Current Accounts	30,800,419	22,128,521
in Fixed Deposits	143,752,846	181,252,129
Unclaim Dividend -Corp.Bank	1,423,932	1,424,632
TOTAL (A)	305,657,129	307,158,484
(B) LOANS AND ADVANCES		
(Advances recoverable in cash or in kind or for value to be received)		
Advances for capital works	965,147	52,677
Deposits	1,022,376	967,046
Prepaid Expenditure	2,134,260	2,786,136
Intercorporate Loan	1,717,800	1,543,800
Employee Travel Advances	349,921	352,581
Advance Income Tax	18,610,478	11,032,190
Tax Deducted at Source	4,319,859	2,834,574
Interest Accrued but not due	821,698	362,005
Differed tax asset	66,112,020	853,563
Advance for Expenses	69,193	446,172
TOTAL (B)	96,122,752	21,230,743
TOTAL (A + B)	401,779,881	328,389,227
05. CURRENT LIABILITIES & PROVISIONS		
Current Liabilities		
Accounts payable-trade	81,146,438	24,029,600
Accounts payable-others	-	437,500
Creditors for Capital goods	3,591,321	-
Liabilities for Expenses	24,152,732	12,302,350
Other Liabilities	446,100	-
Provisions		
Provision for Taxation	7,650,000	5,650,000
Provision for Gratuity	206,998	275,158
Unclaimed Dividend	1,423,932	1,424,632
Deferred Tax Liability	-	216,869
TOTAL	118,617,521	44,336,109

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

	As at 31-03-2006 (in Rupees)	As at 31-03-2005 (in Rupees)
06. OTHER INCOME		
Interest on Fixed Deposits	1,809,898	597,678
Interest received	84,909	100,283
Income from Mutual fund	5,510,693	5,350,193
Rental Income	5,623,843	6,618,643
Gain on sale of assets	123,487	272,226
Short term Capital gain	25,238	2,153,260
Other Income	2,598,301	572,978
TOTAL	15,776,369	15,665,261
07. PERSONNEL EXPENSES		
Salaries, Wages	24,404,302	10,479,421
Contribution to PF and other statutory Funds	1,080,189	595,198
Staff welfare	1,153,260	503,037
Medical Reimbursement	239,525	111,462
Bonus	626,000	117,000
Subsidiary's Personnel expenses	258,689,774	239,069,548
TOTAL	286,193,050	250,875,666

SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT

	Year ended 31-03-2006 (in Rupees)	Year ended 31-03-2005 (in Rupees)
08. OPERATING AND ADMINISTRATION EXPENSES		
Rent, Rates & Taxes	7,403,114	7,186,252
Consulting Charges	267,318,256	180,129,994
Repairs & Maintenance	-	-
-On Equipment	79,899	192,536
-Building Maintenance	153,526	131,901
-Others	3,432,053	2,453,879
Advertisement	88,034	157,677
Travelling Expenses	305,180	-
Recruitment Expenses	4,848,038	5,770,941
Communication Charges	3,139,344	2,330,794
Printing & Stationery	271,604	199,577
S T P I - Service Charges	100,000	50,000
Directors Remuneration	-	-
-Salaries	840,000	787,500
-Gratuity	131,538	28,385
-Provident Fund	54,720	57,600
Director's Sitting Fee	70,000	62,000
Auditors Remuneration	-	-
-Audit Fee	33,672	33,060
-Tax Audit	11,224	11,020
-Other Services	11,224	16,120
-Incidental Expenses	6,351	949
Legal & Professional Services	13,500,468	21,237,474
Travelling expenses	-	-
-Director's	790,269	256,037
-Others	5,959,680	5,343,575
Onsite Expenses	-	-
General Expenses	4,461,792	4,192,809
Electricity Charges	1,387,713	440,639
Conveyance	674,778	323,400
Books & Periodicals	624,410	584,693
Business Promotion	5,030	20,293
Security Service Charges	222,044	119,592
Loss from Investment With Mutual Funds	-	6,719
Soft Link Charges	1,845,881	1,814,721
Loss on Disposl of Assets	155,540	-
Assets Written off	-	3,444,019
Donations	51,116	10,000
Registration & Filing Fee	-	3,520
ISO Expenses	92,600	26,452
Insurance	4,852,942	1,940,196
Bad Debts Written Off	1,678,116	1,492,055
Loss on exchange fluctuation	164,444	(12,521)
TOTAL	324,764,600	240,843,858

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006

	Year ended 31-03-2006 (Rs. in Lakhs)	Year ended 31-03-2005 (Rs. in Lakhs)
A CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit before Tax and Extraordinary Items	365.78	94.33
Adjustments for :		
Depreciation	65.72	82.85
Interest paid	28.96	-
Interest ,Dividend etc., received	(18.95)	(60.48)
Preliminary Expenses W/off	-	59.23
Assets written off	-	0.06
Loss from Sale of Mutual Funds	-	34.44
Profit on sale of assets	1.23	-
Operating Profit before Working Capital changes	442.75	210.43
Adjustments for Working Capital:		
Receivables	(386.75)	(36.56)
Current Liabilities	722.82	99.42
Loans & Advances	(668.54)	(34.98)
Net Cash flow from Operating Activities	110.28	238.31
B CASH FLOW FROM INVESTING ACTIVITIES :		
Interest , Dividend etc., received	14.35	57.05
Interest paid	(28.96)	-
Purchase of Fixed Assets	(404.11)	(66.11)
Loss from Sale of Mutual Fnds	-	(0.06)
Sale of Fixed Assets	3.00	5.16
Income Tax Paid	(94.57)	(5.58)
Investments	(1.75)	(0.73)
Net Cash flow from Investing Activities	(512.03)	(10.28)
C CASH FLOW FROM FINANCING ACTIVITIES :		
Unsecured Loan	-	(433.90)
Dividend Paid	(0.01)	(0.30)
Net Cash flow from Financing Activities	(0.01)	(434.20)
Net Increase in Cash and Cash Equivalents	(401.76)	(206.17)
Opening Cash and Cash Equivalents	2324.20	2,530.37
Closing Cash and Cash Equivalents	1944.07	2,324.20
	(380.13)	(206.17)

For Balarami & Nagarjuna
Chartered Accountants

(G.Pulla Reddy)
Partner

For and on behalf of the Board
of SoftSol India Limited

(Bhaskar Rao Madala)
Whole-time Director

Place : Hyderabad
Date : 27-06-2006

Schedule – 09 Statement of Significant Accounting policies and Notes forming part of the consolidated accounts for the year ended March 31, 2006**1. Description of Business:**

SoftSol India Limited and its consolidated subsidiary (hereinafter referred to as "SoftSol") are engaged in providing information technology services and software development. SoftSol India Limited was incorporated in the year 1990. SoftSol India operates from its own Offshore development facility located at Hitech City of Hyderabad.

SoftSol Resources Inc, USA a wholly owned subsidiary was incorporated in the state of California on January 11, 1993. SoftSol Resources is a provider of e-commerce, network technology, Internet infrastructure and other special technology areas.

2. Significant Accounting Policies**Principles of consolidation and Basis of Presentation**

The consolidated financial statements of SoftSol India and its subsidiary i.e. M/s SoftSol Resources Inc, USA are prepared in accordance with Generally Accepted Accounting Principles applicable in India and as per Accounting standard 21 on Consolidation on Financial Statements issued by the Institute of Chartered Accountants of India to the extent possible in the same Format as that adopted by the parent Company i.e. Soft Sol India for its financial statement. All inter company balances and transactions are eliminated for the purpose of consolidation of financial statements as per AS 21.

Use of Estimates

The preparation of the consolidated financial statements in conformity with Indian GAAP requires management to make the estimates and assumptions that affects the reported amounts of assets and liabilities and disclosure of contingent liabilities as of the date of the financial statements and the reported amount of revenues and expenses during the reported period. Actual results differ materially from those estimates.

System of Accounting

- a) Financial statements are based on historical cost.
- b) The company follows the mercantile system of accounting and recognizes income and expenditure on accrual basis including provisions, adjustments for committed obligations and amounts determines as payable or receivable during the period.

Fixed Assets and Depreciation**a) Fixed Assets**

Fixed Assets are accounted at cost of acquisition inclusive of inward freight, duties and taxes, and incidentals related to acquisitions.

b) Depreciation

Depreciation is provided on the Written Down value Method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956. However Depreciation on the assets of the subsidiary company are provided on a straight-line Method over the estimated lives of the assets.

Prior Period Adjustments

Income and Expenditure relating to prior period exceeding Rs.5,000 in each case is accounted under prior period.

Foreign Exchange Translation

The accompanying consolidated financial statements are reported in Indian rupees. The Indian rupee is the functional Currency for SoftSol India Limited. As financial statements of SoftSol Resources Inc, USA are reported in USD the amounts of subsidiary are converted into Indian rupees before consolidation. The assets and Liabilities are converted into Indian rupees by using the current exchange rates in effect at the balance sheet date, revenue, costs and expenses are converted by using average exchange rate prevailing during the reporting period and share capital is converted by using the exchange rate at the date of the transaction. Assets and Liabilities of subsidiary denominated in USD are translated at the rates of exchange at the balance sheet and the resultant loss or gain is recognized in the consolidated profit and loss account.

II. Notes on Accounts**Share Capital**

Share Capital of wholly owned subsidiary is deleted.

Reserves and Surplus

Consolidated Profit/ (Loss) for the reporting period is added / (subtracted) to the last year's closing balances as appeared in the holding and subsidiary Companies.

Reporting Date and Period

Reporting Date for the holding and subsidiary companies is of 12 months. Reporting date for holding company is March 31, 2006 and December 31, 2005 respectively.

Investments

An investment made in the wholly owned subsidiary is deleted from the consolidated balance sheet.

Income Tax

Provision is made for income tax on Taxable Income basis, under the tax payable method, based on the tax liability as computed after taking credit for allowances, prepaid taxes and exemptions for the purpose of calculating holding company's tax liability. In the case of subsidiary company Income tax expenses is based on pretax financial accounting Income. Deferred tax assets and liabilities are based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in the effect for the year in which the differences are expected to reserve in the case of subsidiary company.

Reclassification

Previous years figures have been re-grouped wherever necessary to confirm to the current years figures.

SoftSol India Limited

SOFTSOL INDIA LIMITED
Regd. Off.: Plot No.4, Infocity, Madhapur, Hyderabad - 500 033.
Tel : +91 (40) 30784305, Facsimile : +91(40)30784306
e-mail : softsol@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 16th Annual General Meeting of the company held on Friday the 29th Day of September 2006 at the registered office of the company situated at Plot No. 4, Infocity, Madhapur, Hyderabad - 500 033 at 10.30 a.m.

(Signature of Shareholder/Proxy)

SOFTSOL INDIA LIMITED
Regd. Off.: Plot No.4, Infocity, Madhapur, Hyderabad - 500 033.
Tel : +91 (40) 30784305, Facsimile : +91(40)30784306
e-mail : softsol@softsolindia.com

PROXY FORM

DP ID: Regd. Folio No.
Client ID

I/We of being a member(s) of SoftSol India Limited hereby appoint of or failing him of as my /our proxy to vote for me / us and on my / our behalf at the 16th Annual General Meeting to be held on Friday, the 29th September, 2006 at the registered office of the company situated at Plot No. 4, Infocity, Madhapur, Hyderabad - 500 033 at 10.30 a.m. or any adjournment thereof.

Signed this.....day 2006.

Affix Rs. 1 Revenue Stamp

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

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