

**BOARD OF DIRECTORS:**

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

**REGISTERED OFFICE:**

8-3-1113/2B, Kesava Nagar,  
Srinagar Colony,  
Hyderabad -500073  
Tel.Nos.91-40-23730553  
Fax: 91-40-23743526  
E-Mail: info@terasoftware.com  
Url: www.terasoftware.com

**AUDITORS:**

M/s. NARVEN ASSOCIATES  
Chartered Accountants  
302 & 303, Lingapur House,  
Himayat Nagar,  
Hyderabad - 500 029.

**BANKERS:**

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

**REGISTRAR AND SHARE TRANSFER AGENTS:**

Sathguru Management Consultants Private Limited  
Plot No.15, Hindi Nagar, Panjagutta, Hyderabad - 500 034  
Ph. No: 040 - 23356507 & 23350586 Fax: 4004 0554

**NOTICE**

Notice is hereby given that the Fifteenth Annual General Meeting of the members of the company will be held at the Jubilee Hills International Center, Road No.14, Jubilee Hills, Hyderabad - 500 033, on Saturday, the 19<sup>th</sup> day of September, 2009 at 10.00 A.M. to transact the following business:

**AS ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2009, Profit & Loss Account for the year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To declare dividend on Equity shares.
3. To appoint a Director in place of Sri R.S.Bakkannavar, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Dr. T.Hanuman Chowdary, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint M/s. NARVEN ASSOCIATES, Chartered Accountants, the retiring auditors as Statutory Auditors of the Company, who shall hold office from the conclusion of this Annual General Meeting up to the conclusion of the next Annual General Meeting and to authorize Board of Directors to fix their remuneration.

**AS SPECIAL BUSINESS:**

6. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution:  
“Resolved that the Company is authorized to add a new article 3.g.as stated below in the Articles of Association after article 3.f.  
3.g). The Company shall have power to buy back its shares, but in doing so, the Company shall comply with the provisions of the Companies Act,1956 and also the Regulations stipulated by Securities Exchange Board of India.
7. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution:  
“Resolved that pursuant to the provisions of Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the remuneration of the Sri T.Gopichand, Vice Chairman & Managing Director and Sri N.V.V.Prasad, Executive Director be and is hereby revised as detailed below without altering other terms and conditions of their appointment:

Name of the Director	Designation	Present Remuneration per month Rs.	Proposed Remuneration per month Rs.	Annual Increment Rs.	Commission on net profits Rs.
Sri T. Gopichand	V.C.&M.D.	185000	250000	45000	3.25%
Sri N.V.V.Prasad	E.D.	140000	150000	25000	1.75%

**By Order of the Board of Directors**

Sd/-

**(T. Gopichand)**

Vice Chairman and Managing Director

Place : Hyderabad  
Date : 17.08.2009

**Notes:**

1. The explanatory statement in respect of item numbers 6 & 7 of the Notice, pursuant to Section 173 (2) of the Companies Act, 1956 is annexed hereto.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to vote at the meeting on his behalf and such proxy need not be a member of the company.
3. The instrument appointing proxy to be valid should be lodged at the Registered Office of the Company not less than forty-eight hours before the commencement of the meeting.
4. Members/Proxies should fill the attendance slip for attending the meeting.
5. Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
6. The Company has already notified closure of Register of Members and the Share Transfer Books from Saturday, 12th September 2009 to Saturday, 19th September 2009 (both days inclusive).
7. Shareholders are requested to bring their copy of Annual Report to the meeting.

Explanatory statement pursuant to section 173(2) of the Companies Act, 1956.

**Item 6:**

The approval of the Members, by passing a Special Resolution, is required as per the provisions of Section 77A of the Companies Act, 1956, when the Company intends to buy back its equity shares

Your directors commend the resolution. None of the directors are interested/ deemed to be interested in the resolution.

**Item 7:**

The members at their meeting held on 29.09.2006 fixed the remuneration of Vice chairman and Managing Director and Executive Director and the Remuneration Committee on 14.04.2009 revised and the Board of Directors approved the same on 27.04.2009. To commensurate with the services rendered by them, your directors commend the resolution.

None of the directors are interested/ deemed to be interested in the resolution except Sri T.Gopichand, the Vice Chairman and Managing Director, Sri N.V.V.Prasad, the Executive Director individually and Smt. T. Pavana Devi, and Sri T. Bapaiah Choudary being relatives of Sri T. Gopichand as per the provisions of the Companies Act, 1956.

## ***Tera Software Limited***

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

Serial Number	1	2
Name	Sri. R.S.Bakkannavar	Dr. T.Hanuman Chowdary
Designation	Director	Director
Age & Date of Birth	68 Years (17.6.1941)	77 Years (18.10.1931)
Qualification	Post Graduate	B.Tech
Date of Appointment	29.09.2006	28.09.2007
Nature of Expertise in specific functional areas	Over three decades of rich experience in banking sector. Providing guidance on project financing.	Founder Chairman of VSNL, former IT advisor to Government of Andhra Pradesh and renowned name in the IT field.
Remuneration	Rs.78,000/- (Sitting Fees)	Rs.39,000/- (Sitting Fees)
No. of outside Directorships held	1	3
Chairman of the Committee of Board Directors of the Company	Audit Committee	NIL
Member of the Committee of Board of Directors of the Company	Management Committee	NIL
Chairman/ member of the Committees of other Companies	NIL	1

**By Order of the Board of Directors**

Place : Hyderabad  
Date : 17.08.2009

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

**DIRECTORS' REPORT**

Dear Shareholders,

Your Directors have pleasure in presenting the Fifteenth Annual Report and the audited accounts of the company for the year ended 31st March 2009 together with Auditors' report thereon.

**a) Financial Results:**

(Rs. In Lakhs)

PARTICULARS	Year Ended 31.03.2009		Year Ended 31.03.2008	
Gross Income		8214.43		5990.94
Expenditure		6054.81		3493.86
Profit before interest, deprecation & tax		2159.62		2497.08
Less: Interest (Financial Cost)		216.21		240.96
Profit before depreciation & tax		1943.41		2256.12
Less: Depreciation		266.44		387.37
Profit before tax		1676.97		1868.75
Less : Provision for tax				
Current year	612.87		766.62	
Deferred tax	6.89		(78.71)	
Fringe Benefit tax	8.41	628.17	8.00	695.91
Profit after tax		1048.80		1172.84
Add: Balance brought forward from Previous Year	868.78		524.70	
Add/ (Less): Excess Tax Provision of Earlier years	00.02	868.80	(36.00)	488.70
Profit available for distribution		1917.60		1661.54
Less: Transferred to General Reserve	500.00		500.00	
Proposed Dividend @ 20% (Previous Year 20%)	250.24		250.24	
Tax on distributable profits	42.53	792.77	42.53	792.77
<b>Balance Carried to Balance Sheet</b>		<b>1124.83</b>		<b>868.77</b>

**b) Dividend:**

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

**c) Performance of the Company:**

The Company achieved a turnover of Rs.8214.43 Lakhs during the year and earned a net profit after tax of Rs.1048.80 Lakhs.

## ***Tera Software Limited***

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

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

### **e) Fixed Deposits:**

The Company has accepted Rs. 54.00 lakhs as fixed deposits during the year to which the provisions of Section 58A of the Companies Act, 1956 apply. There are no deposits outstanding as at the end of the financial year.

### **f) Directors:**

In accordance with the provisions of the Companies Act, 1956, and the Articles of Association of the Company, Sri R.S.Bakkannavar, Director, and Dr. T.Hanuman Chowdary, Director, will be retiring at this annual general meeting and being eligible offer themselves for reappointment. Smt. T. Pavana Devi resigned as a Wholetime Director and continuing as a Director with effect from 01.03.2009.

### **g) Auditors:**

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

### **h) Particulars of Employees:**

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

Name	Designation	Qualification	Age (Years)	Date of Joining	Experience (Years)	Gross Remuneration Including Commission	Previous Employment
T.Gopichand	V.C. & M.D.	M.Tech	50	01.09.1995	27	4,009,831	Electronic Corporation of India Limited
N.V.V. Prasad	E.D.	B.Tech	49	01.12.1999	26	2,941,504	Taraka Prabhu Publishers Pvt. Ltd.

### **i) Conservation of energy, technology absorption and foreign exchange earnings/outgoings:**

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

- 1. Conservation of energy:** The Company does trading of various kinds of computer items and provide IT enabled services and does not use any energy. The electricity power consumption under LT is minimal hence the Company is not an energy intensive unit. However, the Company installed power efficient transformers and UPS systems to save the power cost.
- 2. Technology absorption, adaptation & innovation:** The Company has not imported any technology.

**3. Foreign Exchange Earnings and outgo:**

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

Particulars	Current Year (Rs.)	Previous Year (Rs.)
Software Development/Services	903,000	5,582,300
<b>Total</b>	<b>903,000</b>	<b>5,582,300</b>

**2. Expenditure in Foreign Currency (CIF): Nil (Previous Year Nil).**

**j) Directors' Responsibility Statement:**

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

- a. That in the preparation of the accounts for the financial year ended 31st March, 2009 the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b. That the directors have selected such accounting policies and applied them consistently and made adjustments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year under review;
- c. That the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d. That the directors have prepared the accounts for the financial year ended 31st March, 2009 on a going concern basis.

**k) Acknowledgment:**

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

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

Place : Hyderabad  
Date: 17.08.2009

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

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

**REPORT ON THE CORPORATE GOVERNANCE**

**1. Company's philosophy on Code of Governance:**

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

**2. Board of Directors:**

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

**Composition and category of Directors is as follows:**

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

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

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

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

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

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

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

**3. Audit Committee:**

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

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

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

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

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

## ***Tera Software Limited***

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### **4. Shareholders' Grievance Committee:**

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

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

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

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

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

### **5. Remuneration Committee:**

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

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

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

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

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

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

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

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

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

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

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

### 6. Investment Committee:

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

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

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

### 7. Share Transfer Committee:

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

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

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

#### **Compliance Officer Name and Address:**

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

### 8. Management Committee:

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

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

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

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### **9. General Body Meetings:**

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

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

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

Date	Type of Meeting	Section	Brief particulars
NIL	NIL	NIL	NIL

### **10. Disclosures:**

#### **a. Significant related party transactions:**

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

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

### **11. Means of Communication:**

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

### **12. Management Discussions and Analysis:**

#### **Cautionary Statement:**

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

#### **Opportunities and Threats:**

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

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

**Internal control systems and their adequacy:**

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

**Financial Performance with respect to Operational Performance:**

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

**13. General Information for Shareholders:**

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

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

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

**e. Stock Code:**

Bangalore Stock Exchange Limited: TASL

Bombay Stock Exchange Limited: 590020

**f. Stock Market Data:**

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

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

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

**h. Dematerialization of Shares:**

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

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

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

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

**j. Outstanding of unclaimed dividend amounts:**

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

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

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

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

**l. Address for Correspondence:**

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

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

Place: Hyderabad  
Date: 17.08.2009

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

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

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

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

Place:Hyderabad  
Date:17.08.2009

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

***Tera Software Limited***

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

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

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

Place: Hyderabad  
Date: 17.08.2009

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

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

---

***Tera Software Limited***

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

**AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**

To  
The Members of  
**Tera Software Limited,**

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

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

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

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

For **NARVEN ASSOCIATES**  
Chartered Accountants

Place: Hyderabad  
Date: 17.08.2009

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

**AUDITORS' REPORT**

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

1. We have audited the attached Balance Sheet of TERA SOFTWARE LIMITED, as at March 31, 2009 and the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
  - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (ii) In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;
  - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the mandatory accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - (v) On the basis of written representations received from the directors as on March 31, 2009 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2009 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, 2009;
    - (b) In the case of Profit and Loss Account, of the Profit for the year ended on that date; and
    - (c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **NARVEN ASSOCIATES**  
Chartered Accountants

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

Membership No: 24643

Place: Hyderabad  
Date: 17.08.2009

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

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and the situation of its fixed assets;
- (b) A major portion of fixed assets have been physically verified by the management during the year. In our opinion, the frequency of verification of the fixed assets by the management is reasonable having regard to the size of the Company and the nature of its assets. The discrepancies noticed have been properly dealt with in the books of accounts;
- (c) In our opinion, the company has not disposed of substantial part of fixed assets during the year and the going concern status of the company is not affected.
- (ii) (a) As explained to us, the inventories of the company have been physically verified by the management at reasonable intervals during the year.
- (b) In our opinion and according to the information and explanations given to us, the procedures for physical verification of inventory followed by the management were reasonable and adequate in relation to the size of the Company and the nature of its business;
- (c) In our opinion the Company has maintained proper records of inventory. The discrepancies between the physical stocks and the book stocks were not material.
- (iii) (a) The Company had not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act,1956. Accordingly, clauses (iii)(b) to (iii)(d) of the aforesaid order are not applicable to the company.
- (b) During the year, the company had not taken any unsecured loans from the parties covered in the register maintained under section 301 of the Companies Act, 1956 and the unsecured loans taken in the past from three parties covered in the register maintained under section 301 of the Companies Act,1956 the maximum amount involved during the year was Rs.7.80 lakhs and Nil Balance is outstanding at the end of the year.
- (c) In our opinion, the rate of interest and other terms and conditions on which loans have been taken from the other parties listed in the Companies Act,1956 are not prima facie prejudicial to the interest of the Company.
- (d) The company is regular in payment of the principal amount and interest thereon as stipulated.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for purchase of inventory, fixed assets and for the sale of goods and services. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weaknesses in internal controls.
- (v) (a) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements, that needed to be entered into in the register maintained under section 301 of the Companies Act,1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, there are no transactions in pursuance of contracts or arrangements entered in the registers maintained under Section 301 of the Companies Act, 1956 aggregating during the year to Rs.5,00,000/- (Rupees five lakh ) or more in respect of any party.

## ***Tera Software Limited***

- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from public.
- (vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business;
- (viii) According to the information and explanations given to us the company is not required to maintain cost records under section 209(1)(d) of the Companies Act, 1956 in respect of the services carried out by the company.
- (ix) (a) According to the records of the company and the information and explanations provided to us, the Company is generally regular in depositing with appropriate authorities undisputed amount of provident fund, investor education protection fund, employees state insurance, income-tax, sales-tax, wealth-tax, service tax, cess and other statutory dues applicable to it and no undisputed amounts payable were outstanding as at 31st March, 2009 for a period of more than six months from the date they became payable. As explained to us, the Excise Duty and Customs Duty are not applicable to the company;
- (b) According to the information and explanations given to us, there are no dues in respect of Income Tax, Excise Duty, Customs Duty, Wealth Tax, Service tax, Sales Tax and Cess that have not been paid to the concerned authorities on account of any dispute other than the following:

S. No.	Name of the Statute	Nature of the dues	Amount (Rs)	Period to which the amount relates	Forum where dispute is pending
1	AP VAT Act, 2005	Value Added Tax	339,455	2007-08	High Court
2	AP VAT Act, 2005	Value Added Tax	1,430,252	2006-07	High Court
3	AP VAT Act, 2005	Value Added Tax	1,430,252	2005-06	High Court
4	APGST Act, 1957	Sales Tax	2,860,507	2004-05	High Court
5	APGST Act, 1957	Sales Tax	3,580,063	2003-04	High Court
6	APGST Act, 1957	Sales Tax	1,430,253	2002-03	High Court

- (x) The Company has no accumulated losses at the end of the financial year and has not incurred any cash losses during the year or in the immediately preceding financial year;
- (xi) Based on our audit procedures and according to the information and explanations given to us, we are of the opinion that the company has not defaulted in repayment of dues to financial institutions, banks and debenture holders.
- (xii) Based on our examination and according to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, clause 4(xii) of the Order is not applicable.
- (xiii) The Company is not a chit/nidhi/mutual benefit fund/society. Accordingly, clause 4(xiii) of the Order is not applicable.
- (xiv) The Company is not dealing or trading in shares, securities, debentures and other investments; Accordingly, clause 4(xiv) of the Order is not applicable.

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***Tera Software Limited***

- (xv) On the basis of the information and explanations given to us the Company has not given any guarantee for loans taken by others from banks or financial institutions;
- (xvi) According to the information and explanations given to us and on the basis of our examination of the books of accounts, the term loans obtained by the Company were applied for the purpose for which such loans were obtained.
- (xvii) On the basis of our examination of the books of accounts and the information and explanation given to us, in our opinion, the funds raised on short-term basis have not been used for long-term investments and vice versa.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the Register Maintained under Section 301 of the Companies Act, 1956.
- (xix) The Company has not issued any Debentures during the year;
- (xx) The Company has not raised any money by public issue during the year;
- (xxi) Based on the audit procedures performed and information and explanations given to us by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For **NARVEN ASSOCIATES**  
Chartered Accountants

Place: Hyderabad  
Date: 17.08.2009

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

**Tera Software Limited**

**BALANCE SHEET AS AT 31<sup>st</sup> MARCH, 2009**

	Schedules		As At 31st March'2009 Rs.	As At 31st March'2008 Rs.
<b>I. SOURCES OF FUNDS</b>				
<b>A. SHAREHOLDERS' FUNDS</b>				
Share Capital	1	125,118,750	125,118,750	
Reserves & Surplus	2	<u>375,059,053</u>	<u>299,453,838</u>	<b>424,572,588</b>
<b>B. LOAN FUNDS</b>				
Secured Loans	3	163,880,675	154,188,191	
Unsecured Loans	4	<u>-</u>	<u>70,780,000</u>	<b>224,968,191</b>
<b>C. Deferred Tax Liability</b>				
			<b>11,524,679</b>	<b>10,835,247</b>
<b>TOTAL</b>			<b>675,583,157</b>	<b>660,376,026</b>
<b>II. APPLICATION OF FUNDS</b>				
<b>A. FIXED ASSETS</b>				
Gross Block	5	207,241,879	264,130,574	
Less : Depreciation		<u>67,986,186</u>	<u>123,576,767</u>	
Net Block		139,255,693	140,553,807	
Add : Capital work in progress		<u>27,106,885</u>	<u>1,014,862</u>	<b>141,568,669</b>
<b>C. CURRENT ASSETS, LOANS &amp; ADVANCES</b>				
Inventories	6	511,348	1,441,555	
Sundry Debtors	7	691,835,191	575,296,379	
Cash & Bank Balances	8	50,282,240	57,510,581	
Loans & Advances	9	<u>50,543,819</u>	<u>146,985,452</u>	
		<u>793,172,598</u>	<u>781,233,967</u>	
Less : Current Liabilities & Provisions				
Current Liabilities	10	219,162,173	143,058,994	
Provisions	11	<u>64,789,846</u>	<u>119,367,616</u>	
		<u>283,952,019</u>	<u>262,426,610</u>	
<b>NET CURRENT ASSETS</b>			<b>509,220,579</b>	<b>518,807,357</b>
<b>TOTAL</b>			<b>675,583,157</b>	<b>660,376,026</b>
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS</b>				
	18			

As per our report of even date attached

**For NARVEN ASSOCIATES**

Chartered Accountants

Sd/-

**(C.A.D.C.NAIDU)**

Partner

Membership No.24643

Place: Hyderabad

Date: 17.08.2009

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

Sd/-

**(T.GOPICHAND)**

Vice Chairman & Managing Director

Sd/-

**(N.V.V.PRASAD)**

Executive Director

Sd/-

**(B.D.NAIDU)**

General Manager (Finance)

**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2009**

	Schedules	For the year Ended 31st March 2009		For the year ended 31st March 2008	
		Rs.	Rs.	Rs.	Rs.
<b>I. INCOME:</b>					
Gross Sales & Services	12		816,303,668		594,070,199
Other Income	13		5,139,622		5,023,434
<b>Total</b>			<b>821,443,290</b>		<b>599,093,633</b>
<b>II. EXPENDITURE:</b>					
Cost Of Goods Sold	14		321,325,508		138,386,051
Personnel Cost	15		47,812,986		26,855,883
Operating and other expenses	16		236,557,702		187,786,433
Financial Cost	17		21,620,911		24,095,744
Depreciation & Amortization	5		26,644,530		38,736,884
Prior Period Items (net)			(215,035)		(3,642,097)
<b>Total</b>			<b>653,746,602</b>		<b>412,218,898</b>
<b>Profit before Tax</b>			<b>167,696,688</b>		<b>186,874,735</b>
Less : Current Year					
- Provision for tax (including provision for wealth tax of Rs.0.23 Lakhs, previous year Rs.0.11 Lakhs)		61,286,526		76,662,125	
-Fringe Benefit Tax		841,255		800,000	
- Deferred tax (net)		689,432	62,817,213	(7,870,967)	69,591,158
<b>Profit after Tax</b>			<b>104,879,475</b>	-	<b>117,283,577</b>
Add: Balance brought forward from previous year		86,877,588		52,470,461	
Add/(Less): Excess Tax Provision of Earlier Year		2,276	86,879,864	(3,599,914)	48,870,547
<b>Profit available for distributions</b>			<b>191,759,339</b>		<b>166,154,124</b>
Less: Appropriations					
Transferred to General Reserve		50,000,000		50,000,000	
Proposed Final Dividend on Equity Shares		25,023,750		25,023,750	
Tax on distributed profit		4,252,786		4,252,786	
			79,276,536		79,276,536
<b>Balance Carried to Balance Sheet</b>			<b>112,482,803</b>		<b>86,877,588</b>
<b>Earnings Per Share</b>					
-Basic			8.38		9.09
-Diluted			8.38		9.09
<b>Significant Accounting Policies And Notes On Account</b>	<b>18</b>				

As per our report of even date attached

**For NARVEN ASSOCIATES**

Chartered Accountants

Sd/-

**(CA.D.C.NAIDU)**

Partner

Membership No.24643

Place: Hyderabad

Date: 17.08.2009

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

Sd/-

**(T.GOPICHAND)**

Vice Chairman & Managing Director

Sd/-

**(N.V.V.PRASAD)**

Executive Director

Sd/-

**(B.D.NAIDU)**

General Manager (Finance)

**Tera Software Limited**

**Cash Flow Statement Annexed to the Balance Sheet For the Year ended**

	Current Year 31 <sup>st</sup> March'2009		Previous Year 31 <sup>st</sup> March'2008	
	Rs.	Rs.	Rs.	Rs.
<b>A. Cash flow from Operating Activities:</b>				
Net Profit Before Tax as per Profit & Loss A/c.		167,696,688		186,874,735
<i>Adjustments for:</i>				
Depreciation & Amortization	26,644,530		38,736,884	
Profit on Sale of Fixed Assets	(4)		(7,176)	
Prior Period Expenses/ (Income)	(215,035)		(3,642,097)	
Interest Income	(2,648,842)		(1,686,373)	
Interest Expenses	13,542,065		18,604,068	
		37,322,714		52,005,306
Operating Profit before working capital changes		205,019,402		238,880,041
<i>Adjustments for:</i>				
Inventories	930,207		(884,119)	
Sundry debtors	(116,538,812)		(207,176,470)	
Loans and advances	96,417,089		(27,504,932)	
Current Liabilities and provisions	68,796,524		69,783,418	
		49,605,008		(165,782,103)
Cash Generated from Operations		254,624,410		73,097,938
Prior Period (Expenses)/ Income		215,035		3,642,097
Taxes Paid		(117,062,298)		(34,681,926)
<b>Net Cash from Operating Activities</b>		<b>137,777,147</b>	<b>-</b>	<b>42,058,109</b>
<b>B. Cash flow from Investing Activities:</b>				
Purchase of Fixed Assets & Advances paid		(44,623,159)		(29,647,635)
Sale of Fixed Assets		4		207,734
Interest Income		2,673,386		530,557
<b>Net Cash Generated from Investing Activities</b>		<b>(41,949,769)</b>	<b>-</b>	<b>(28,909,344)</b>
<b>C. Cash flow from Financing Activities:</b>				
Proceeds from Issue of share capital (net)		-		55,438,980
Proceeds from Long term funds		20,247,680		70,000,000
Repayment of Long term loans		(123,567,281)		(75,787,448)
Short term loans (net)		42,232,085		11,602,375
Interest Paid		(12,936,633)		(18,686,285)
Dividend Paid		(29,031,570)		(28,713,171)
<b>Net Cash Generated from Financing Activities</b>		<b>(103,055,719)</b>	<b>-</b>	<b>13,854,451</b>
Net Increase/ (Decrease) in Cash and Cash Equivalents		<b>(7,228,341)</b>		<b>27,003,216</b>
Opening Balance of Cash and Cash Equivalents		<b>57,510,581</b>		<b>30,507,365</b>
<b>Closing Balance of Cash and Cash Equivalents</b>		<b>50,282,240</b>	<b>-</b>	<b>57,510,581</b>

As per our report of even date attached

**For NARVEN ASSOCIATES**  
Chartered Accountants

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

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

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

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

Place: Hyderabad  
Date:17.08.2009

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

**SCHEDULES FORMING PART OF THE BALANCE SHEET**

Particulars	As At 31st March'2009 Rs	As At 31st March'2008 Rs
<b>1. Share Capital</b>		
<b>Authorised</b>		
150,00,000 Equity Shares of Rs.10/- each	150,00,000	150,00,000
<b>Issued, Subscribed and Paid up</b>		
1,25,11,875 Equity Shares of Rs. 10/- each (Previous Year 1,25,11,875 Equity Shares of Rs. 10/- each) (25,02,375 Equity Shares are allotted as fully paid up bonus shares by capitalisation of General Reserve)and (of the above, 168,090 Equity Shares have been allotted other wise than by cash)	125,118,750	125,118,750
<b>Total</b>	<b>125,118,750</b>	<b>125,118,750</b>
<b>2. Reserves &amp; Surplus</b>		
<b>i) Security Premium Account</b>		
Opening Balance	85,100,000	31,500,000
Add: Additions during the year	-	53,600,000
Total(a)	85,100,000	85,100,000
<b>ii) General Reserve</b>		
Opening Balance	127,476,250	79,476,250
(Less):Capitalized for issue of bonus shares	-	(2,000,000)
	127,476,250	77,476,250
Add: Transfer From Profit & Loss Account	50,000,000	50,000,000
Total(b)	177,476,250	127,476,250
<b>iii) Surplus in Profit &amp; Loss Account</b>		
Current Period	112,482,803	86,877,588
Total(c)	112,482,803	86,877,588
<b>Total(a)+(b)</b>	<b>375,059,053</b>	<b>299,453,838</b>
<b>3. Secured Loans</b>		
<b>I. Term Loans:</b>		
from Banks	51,892,174	95,572,779
from Banks - for Vehicles Purchases	582,960	1,300,466
from Finance Companies	11,858,510	-
<b>II. Working Capital Loans:</b>		
from Banks	99,547,031	57,314,946
(Ref. Note 1 of Notes on Accounts)		
<b>Total</b>	<b>163,880,675</b>	<b>154,188,191</b>
<b>4. Unsecured Loans</b>		
Public Deposits		
from Share holders & Others	-	70,780,000
<b>Total</b>	<b>-</b>	<b>70,780,000</b>
<b>6. Inventories</b>		
(As taken, valued and certified by management)		
Raw Material	511,348	1,441,555
<b>Total</b>	<b>511,348</b>	<b>1,441,555</b>

## SCHEDULE 5 : FIXED ASSETS

Particulars	(Amount in Rupees)											
	GROSS BLOCK					DEPRECIATION					NETBLOCK	
	As at 31st March'08	Additions during the year	(Deductions) during the year	As at 31st March'09	As at 31st March'08	During the year	(Deductions) during the year	As at 31st March'09	As at 31st March'09	As at 31st March'08	As at 31st March'08	
Land	11,684,075	-	-	11,684,075	-	-	-	-	11,684,075	11,684,075	11,684,075	
Buildings	23,757,971	-	-	23,757,971	994,689	387,255	-	1,321,944	22,436,027	22,823,282	22,823,282	
Office Equipment	2,460,344	278,912	-	2,739,256	347,443	123,853	-	471,296	2,267,960	2,112,901	2,112,901	
Computers & Servers	74,833,634	7,275,640	-	82,109,274	24,795,243	11,649,257	-	36,444,500	45,664,774	50,098,391	50,098,391	
Electrical Equipment	10,303,389	7,213,694	-	17,517,083	1,639,583	921,820	-	2,561,403	14,955,680	8,663,806	8,663,806	
Furniture & Fixtures	14,991,353	10,512,296	-	25,503,649	1,335,671	1,694,357	-	3,030,028	22,473,621	13,655,682	13,655,682	
Capital Expenditure on Projects Div*	121,947,838	65,874	82,235,111	39,778,601	93,345,302	11,473,836	82,235,111	22,584,027	17,194,574	28,602,536	28,602,536	
Vehicles	4,151,970	-	-	4,151,970	1,178,836	394,152	-	1,572,988	2,578,982	2,973,134	2,973,134	
<b>Total</b>	<b>264,130,574</b>	<b>25,346,416</b>	<b>82,235,111</b>	<b>207,241,879</b>	<b>123,576,767</b>	<b>26,644,530</b>	<b>82,235,111</b>	<b>67,986,186</b>	<b>139,255,693</b>	<b>140,553,807</b>	<b>140,553,807</b>	
<b>Previous Year</b>	<b>301,551,175</b>	<b>24,557,729</b>	<b>61,978,330</b>	<b>264,130,574</b>	<b>146,617,655</b>	<b>38,736,894</b>	<b>61,777,772</b>	<b>123,576,767</b>	<b>140,553,807</b>	<b>154,933,520</b>	<b>154,933,520</b>	
<b>Capital work in progress</b>									<b>27,106,885</b>	<b>1,014,862</b>	<b>1,014,862</b>	

Note:

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

**SCHEDULES FORMING PART OF THE BALANCE SHEET**

	As At 31st March'2009 Rs	As At 31st March'2008 Rs
<b>7. Sundry Debtors</b> (Unsecured)		
<b>Over Six Months</b>		
Considered Good	383,907,200	318,874,298
<b>Others</b>		
Considered Good (includes unbilled work of Rs.201.89 lakhs, Previous Year Rs.184.18 lakhs)	307,927,991	256,422,081
<b>Total</b>	<b>691,835,191</b>	<b>575,296,379</b>
<b>8. Cash &amp; Bank Balances</b>		
Cash	288,928	447,463
Remittance in Transit/ Cheques on hand	-	36,161,580
<b>Balances with Scheduled Banks</b>		
in Current Accounts*	7,492,454	2,161,852
in Current Accounts in Foreign Currency	510	43,247
in Deposit Accounts (*includes unclaimed dividend Rs.1,719,942, Previous Year Rs.1,474,976)	42,500,348	18,696,439
<b>Total</b>	<b>50,282,240</b>	<b>57,510,581</b>
<b>9. Loans &amp; Advances</b> (Unsecured)		
<b>Considered good</b>		
Accrued Interest	1,617,723	1,642,267
Deposits	7,411,996	11,700,106
Advances recoverable in cash or in kind or for value to be received	41,514,100	133,643,079
<b>Total</b>	<b>50,543,819</b>	<b>146,985,452</b>
<b>10. Current Liabilities</b>		
Interest accrued but not due on loans	809,894	204,462
<b>Sundry Creditors</b>		
for trading goods	2,112,644	2,963,022
for Capital Goods	7,555,238	739,958
for other liabilities and expenses	199,663,843	137,676,576
Unclaimed Dividend (\$)	1,719,942	1,474,976
Mobilization Advances from customers	7,300,612	-
(\$ Unclaimed Dividend do not include any amounts due and outstanding, to be credited to Investor Education and Protection Fund.		
<b>Total</b>	<b>219,162,173</b>	<b>143,058,994</b>
<b>11. Provisions</b>		
Proposed Dividend	25,023,750	25,023,750
Tax on Distributed Profit	4,252,786	4,252,786
Provision for Tax (net of advance Tax)	13,324,365	68,261,158
Provision for under performance of service level deliverable	17,674,061	19,467,158
Provision for Gratuity	4,514,884	2,362,764
<b>Total</b>	<b>64,789,846</b>	<b>119,367,616</b>

## *Tera Software Limited*

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

	As at 31st March'2009 Rs	As at 31st March'2008 Rs
<b>12. Gross Sales and Services</b>		
Sale of Goods(net of returns)	321,019,932	141,350,206
Income from Projects & Services	495,283,736	452,719,993
<b>Total</b>	<b>816,303,668</b>	<b>594,070,199</b>
<b>13. Other Income</b>		
Insurance Claim Recovered	19,200	6,940
Interest Income (TDS Rs.904,439(Previous Year Rs.84,106)	2,648,842	1,686,373
Discount and Other Incentives Received	1,230,576	127,008
Advances written off recovered	450,000	500,000
Sundry Credit balances & Excess Provision written back(net)	536,573	2,695,937
Miscellaneous Income* (profit on sale of fixed assets Rs.4 Previous year includes Rs.7,176/-)	254,431	7,176
<b>Total</b>	<b>5,139,622</b>	<b>5,023,434</b>
<b>14. Cost Of Goods Sold</b>		
(a) Raw Material, Components consumed and Purchase of Trading Goods		
Opening stock	1,441,555	557,436
Add: Purchases (net of returns)	320,395,301	137,531,187
	<b>321,836,856</b>	<b>138,088,623</b>
(Less): Closing stock	511,348	1,441,555
Total (a)	321,325,508	136,647,068
Add: Capital Assets Trd to Stock in Trade	-	1,738,983
<b>Total</b>	<b>321,325,508</b>	<b>138,386,051</b>
<b>15. Personnel Cost</b>		
Salaries, wages, Bonus and other benefits	41,205,003	21,778,371
Commission to Whole Time Directors	3,891,841	3,715,697
Contribution to Provident Fund, ESI etc.	2,273,526	1,169,898
Staff Welfare	442,616	191,917
<b>Total</b>	<b>47,812,986</b>	<b>26,855,883</b>

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

	As at 31st March'2009 Rs	As at 31st March'2008 Rs
<b>16. Operating and other Expenses</b>		
Advertisement & Sales Promotion	156,670	412,498
Consultancy, Professional & Other Charges	127,788,489	99,093,755
Consumables	30,011,918	23,237,240
Electricity Charges	20,654,613	10,411,061
Insurance	382,486	430,202
General Expenses	9,301,350	5,867,555
Lease Rentals	4,762,610	-
Communication	10,133,086	5,787,401
Courier & Postage	2,912,093	1,737,800
Printing & Stationery	1,114,886	212,768
Rates & Taxes	1,748,318	1,916,150
Remuneration to Auditors	500,000	350,000
Rent	2,107,693	1,966,690
Repairs & Maintenance - Others	7,914,202	5,634,552
Unrecoverable Interest	-	182,000
Bad Debts written off	2,218,623	3,806,063
Advances Written Off	-	325,544
Penalty for under Performance of Service Level Deliverables	8,809,058	-
Provision for under Performance of Service Level Deliverables no longer required	(8,809,058)	-
Provision for under Performance of Service Level Deliverables	7,015,961	19,467,158
Sitting fees	441,000	304,000
Travelling & Conveyance	7,393,704	6,643,996
<b>Total</b>	<b>236,557,702</b>	<b>187,786,433</b>
<b>17. Financial Cost</b>		
Interest on Fixed Loans	13,542,065	18,604,068
Interest on Working Capital & Others	8,078,846	5,491,676
<b>Total</b>	<b>21,620,911</b>	<b>24,095,744</b>

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

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

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

**1. BASIS OF PREPARATION:**

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

**2. USE OF ESTIMATES:**

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

**2. Fixed Assets & Depreciation:**

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

**3. Revenue Recognition:**

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

- a) Revenue from sale of goods is recognized on transfer of significant risks and reward of ownership in the goods to the customers.
- b) Revenue from sale of software products is recognized when the sale is completed with the passing of title to the customers and revenue from software development on the time-and-material basis is recognized based on software developed and billed to clients as per the terms of contracts.

- c) Revenue from Technical Services is recognized on a pro-rata basis over the period in which such services are rendered.
- d) Revenue from Maintenance Contracts is recognized on a pro-rata basis over the period in which such services are rendered.
- e) Revenue from Agency Commission is recognized as and when it is receivable.
- f) Interest Income on term deposits is recognized using the time-proportion method, based on interest rates implicit in the transaction.
- g) Revenue from the project of Capturing Beneficiary Information and Printing of Household Cards of Andhra Pradesh Government has been recognized on the basis of the terms of contract and adjustments have been made for the revenue on the basis of proceedings received from the respective Government Authorities till the end of March'2009.
- h) Revenue from Projects Division is recognized on pro-rate basis as per the terms of the contract over the life of the project.
- i) Other items of income are accounted as and when right to receive arises.
- j) Unbilled revenues represent cost and earnings in excess of billings as at the balance sheet date.
- k) Income on investments and dividends on units is recognized as and when right to receive the same is established.

**4. Expenditure:**

Expenses are accounted on the accrual basis and provisions are made for all known losses and liabilities. The cost of software purchased for use in software development and services is charged to revenue in the same year. Provisions for deductions towards under performance of service level deliverable on services are estimated by the management, determined on the basis of past experience.

**5. Inventories:**

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

**6. Investments:**

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

**7. Impairment of Assets**

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

**8. Benefits to employees:**

- i. Short-Term employee benefits are recognized as an expense at the undiscounted amount in the profit and loss account of the year in which the related services are rendered.

## ***Tera Software Limited***

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- ii. Post employment benefits are recognized as an expense in the profit and loss account for the year in which the employee has rendered services. The expense is recognized at the present value of the amount payable to the amount payable towards contributions. The present value is determined using the market yields of government bonds, at the balance sheet date, as the discounting rate.
- iii. Other long-term/short-term employee benefits are recognized as an expense in the profit and loss account for the period in which the employee has rendered services. Estimated liability on account of long-term benefits is discounted to the current value, using the yield on government bonds, as on the date of balance sheet, as the discounting rate.
- iv. Actuarial gains and losses in respect of post employment and other long-term benefits are charged to the profit and loss account.
- v. **Provident Fund:**

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

### **9. Foreign Currency transaction:**

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

### **10. Borrowing Costs**

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

### **11. Provision, Contingent Liabilities and Contingent Assets**

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

### **12. Product Warranty Expenses:**

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

### **13. Claims Receivable:**

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

### **14. Income Tax:**

Provision for income tax is made for both current and deferred taxes. Provision for current Income tax is made at current tax rates based on assessable income. Deferred income taxes are recognized for the future tax consequences attributable to timing differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. The effect on deferred tax

assets and liabilities of a change in tax rates was recognized using the tax rates and tax laws that have been enacted or substantively enacted by balance sheet date. Deferred tax assets are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

**15. Earnings per share**

1. Basic Earnings per Share: In determining earnings per share, the company considers the net profit after tax and includes the post-tax effect of any extra-ordinary items. The number of shares used in computing the basic earnings per share is the weighted average number of shares outstanding during the year.
2. Diluted Earnings per share is calculated by dividing the net earnings available to existing and potential Equity Shareholders by aggregate of the weighted average number of Equity Shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

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

**16. Leases:**

**a) FINANCE LEASE:**

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

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

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

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

**b) OPERATING LEASE:**

1. Rentals are expensed with reference to the Lease terms and other considerations.

**17. Sales:**

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

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### II Notes on accounts:

#### 1. Secured Loans:

- a. Term Loans taken from Bank of Maharashtra are secured by way of hypothecation of Land situated at Jubilee Hills, Hyderabad, Computers and Peripherals, Furniture & Fixtures, Stock in trade, receivables, outstanding monies and personal guarantee given by the Vice-Chairman & Managing Director, Executive Director and Director of the Company.
- b. Loans taken from Bank for Vehicles Purchase are secured by specific charge on Vehicles for which the loan is availed.
- c. Terms taken from Finance Companies are secured by hypothecation / mortgage of assets purchased by company from above companies.
- d. Working Capital loans and bank guarantees given by Bank of Maharashtra are secured by way of hypothecation of Land situated at Jubilee Hills, Hyderabad, Computers and peripherals, stock in trade, software in process, book debts and lien on company's term deposits worth Rs.425.00 Lakh (previous year Rs. 186.96 Lakh) with the bank and personal guarantee given by the Vice Chairman & Managing Director, Executive Director and Director of the Company.
- e. FINANCE LEASE:

Future commitments in respect of assets acquired under Finance Schemes

Due	Total Minimum Lease Payments Outstanding (Rs)	Future Interest on Outstandings (Rs)
Payable within one year	2,779,688	1,456,308
Later than over year and not later than five years	9,661,782	2,077,283
<b>Total</b>	<b>12,441,470</b>	<b>3,533,591</b>

#### f. OPERATING LEASE

Future minimum lease rentals payable on 31.03.2009 as per the agreement

Due	Total Minimum Lease Payments Outstanding (Rs)
Payable within one year	13,770,674
Later than over year and not later than five years	50,320,121
<b>Total</b>	<b>64,090,795</b>

Lease payments recognized in the statement of Profit and Loss Account for the year is Rs.47,62,610.

#### 2. Commitments and Contingencies:

- a. The estimated amount of contracts remaining to be executed on capital account, and not provided for (net of advances) is Rs15.63 lakh as at March 31, 2009 (Previous year Rs. 5 lakh).
- b. The company has outstanding guarantees of Rs. 2294.63 Lakh as at 31<sup>st</sup> March 2009 (previous year Rs. 967.22 Lakh).

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

Sl. no.	Name of the Statute	Nature of the dues	Amount (Rs)	Period which the amount relates	Forum where dispute is pending
1	AP VAT Act, 2005	Value Added Tax	339,455	2007-08	High Court
2	AP VAT Act, 2005	Value Added Tax	1,430,252	2006-07	High Court
3	AP VAT Act, 2005	Value Added Tax	1,430,252	2005-06	High Court
4	AP GST Act, 1957	Sales Tax	2,860,507	2004-05	High Court
5	AP GST Act, 1957	Sales Tax	3,580,063	2003-04	High Court
6	AP GST Act, 1957	Sales Tax	1,430,253	2002-03	High Court

**3. Quantitative details:**

The company does trading of various kinds of computer items. It is not practicable to give quantitative details of sales and purchases for trading business. And also the company is engaged in the development and maintenance of computer software. The production and sale of such software cannot be expressed in any generic unit. Hence, it is not practicable to give the quantitative details of sales and certain information as required under paragraphs 3,4C and 4D of Part II of Schedule VI to the Companies Act, 1956.

**4. Employee Benefits:**

The company has adopted Accounting Standard (AS) 15 (revised 2005) on Employee Benefits.

a. The company has recognized, in the profit and loss account for the year ended 31<sup>st</sup> March 2009, below mentioned defined contribution plans.

Description	2008-09 (Amount in Rs)
Provident Fund	1,635,375
Employee State Insurance	638,151
<b>Total</b>	<b>2,273,526</b>

b. Encashment of Leave Salary which is a Short Term defined benefit Rs13,576 payable was debited to profit & loss account.

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

Description	2008-09 (Amount in Rs)
<b>1. Reconciliation of opening and closing balances of obligation</b>	
a. Obligation as at the beginning of the year	2,362,764
b. Current Service Cost	641,331
c. Interest Cost	189,021
d. Actuarial (Gain)/Loss	1,528,018
e. Benefits Paid	(206,250)
f. Obligation as at the end of the year	4,514,884

## Tera Software Limited

<b>2. Expense recognized in the period</b>	
a. Current Service Cost	641,331
b. Interest Cost	189,021
c. Actuarial(Gain)/Loss	1,528,018
d. Expense recognized during the year	2,358,370
<b>3. Assumptions</b>	%
a. Discount Rate (per annum) as at the end of the year	8
b. Salary Rise	4
c. Attrition Rate	3

### 5. Managerial Remunerations:

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

	Current Year (Rs)	Previous Year (Rs)
Salaries & Allowances	4,225,000	3,600,000
Contribution to Provident Fund	27,300	28,080
Commission	3,891,841	3,715,697
Gratuity Paid	187,500	-
Directors Sitting Fee	441,000	304,000
<b>Total</b>	<b>8,772,641</b>	<b>7,647,777</b>

Remuneration & Commission given above includes increased Salary & Commission payable to Vice Chairman & Managing Director and Executive Director Rs.75,000(Salary) and Rs. 432,426 (Commission), which are subject to approval of members of the company.

6. In the opinion of the board of directors the Current assets, Loans & Advances are expected to realize approximately the values stated in the accounts in the ordinary course of business, and provisions for all known liabilities have been adequately made in the accounts.
7. **Computation of Net Profit in accordance with section 309(5) of the Companies Act'1956.**

Particulars	(Rs)	Year ended	(Rs)	Year ended
		March 31,2009		March 31,2008
		(Rs)		(Rs)
Profit before Tax		167,696,688		186,874,735
Add:				
1. Wholetime directors remuneration	4,252,300		3,628,080	
2. Directors sitting fee	441,000		304,000	
3. Commission to wholetime directors	3,891,841		3,715,697	
4. Depreciaion as per books of accounts	26,644,530		38,736,884	
5. Gratuity Paid	187,500	35,417,171	-	46,384,661
		203,113,859		233,259,396

Less:				
1. Depreciation as envisaged under section 350 of the Companies Act	30,143,147		47,467,361	
2. Profit on Sale of Fixed Assets	4		7,176	
		30,143,151		47,474,537
Net Profit on which commission is payable		172,970,708		185,784,859
Maximum permissible commission as per the companies Act		3,891,841		3,715,697
<b>Commission Payable to :</b>				
a) Managing Director		1,895,471		1,672,064
b) Executive Director		1,362,144		1,300,494
c) Whole Time Director (up to February'2009)		634,226		743,139

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

Particulars	Current Year (Rs.)	Previous Year (Rs.)
Software Development /Services (including unbilled)	903,000	5,582,300
<b>Total</b>	<b>903,000</b>	<b>55,82,300</b>

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

**9. Remuneration to Statutory Auditors:**

Particulars	Current Year (Rs.)	Previous Year (Rs.)
Statutory Audit fee	300,000	200,000
Tax Audit fee	75,000	60,000
Limited Review Fee	50,000	40,000
Taxation Matters	60,000	40,000
Certification Fee & Others	15,000	10,000
<b>Total</b>	<b>500,000</b>	<b>350,000</b>

**10. Segmental Reporting:**

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

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

## Tera Software Limited

### a. Business Segments :

Year ended March 31, 2009 and 2008

(all figures in Rs.)

	Integrated Solutions	Technical Division	Projects Division	Others	Unallocable	Total
Revenues	<b>321,019,932</b>	<b>77,527,339</b>	<b>416,853,397</b>	<b>903,000</b>	-	<b>816,303,668</b>
	<i>141,350,206</i>	<i>32,520,545</i>	<i>414,617,148</i>	<i>5,582,300</i>	-	<i>594,070,199</i>
Identified operating expenses	<b>320,931,575</b>	<b>40,411,459</b>	<b>167,333,428</b>	<b>916,000</b>	-	<b>529,592,462</b>
	<i>137,676,619</i>	<i>17,778,979</i>	<i>139,101,417</i>	<i>2,844,093</i>	-	<i>297,401,108</i>
Allocated Expenses	<b>49,283</b>	<b>4,023,529</b>	<b>54,632,277</b>	<b>107,272</b>	-	<b>58,812,361</b>
	<i>18,516</i>	<i>2,517,150</i>	<i>56,251,076</i>	<i>75,426</i>	-	<i>58,862,168</i>
Segmental operating income	<b>39,074</b>	<b>33,092,351</b>	<b>194,887,692</b>	<b>(120,272)</b>	-	<b>227,898,845</b>
	<i>3,655,071</i>	<i>12,224,416</i>	<i>219,264,655</i>	<i>2,662,781</i>	-	<i>237,806,923</i>
Unallocable expenses					<b>43,040,060</b>	<b>43,040,060</b>
					<i>31,859,878</i>	<i>31,859,878</i>
Operating income						<b>184,858,785</b>
						<i>205,947,045</i>
Other income/(expenses), net					<b>1,809,972</b>	<b>1,809,972</b>
					<i>3,337,061</i>	<i>3,337,061</i>
Net profit before Interest						<b>186,668,757</b>
						<i>209,284,106</i>
(Less): Interest Expenses					<b>(21,620,911)</b>	<b>(21,620,911)</b>
					<i>(24,095,744)</i>	<i>(24,095,744)</i>
Add: Interest Income					<b>2,648,842</b>	<b>2,648,842</b>
					<i>1,686,373</i>	<i>1,686,373</i>
Net profit before taxes						<b>167,696,688</b>
						<i>186,874,735</i>
Income Taxes (including FBT 841,255)						<b>(62,817,213)</b>
						<i>(69,591,158)</i>
<b>Net Profit after taxes</b>						<b>104,879,475</b>
						<i>117,283,577</i>
Other Information						
Segment Assets	<b>49,272,552</b>	<b>99,369,817</b>	<b>680,654,731</b>	<b>353,720</b>	<b>129,884,356</b>	<b>959,535,176</b>
	<i>96,460,978</i>	<i>73,750,901</i>	<i>615,918,456</i>	<i>1,241,401</i>	<i>135,430,900</i>	<i>922,802,636</i>
Segment Liabilities	<b>49,053,678</b>	<b>64,082,594</b>	<b>67,387,544</b>	-	<b>103,428,203</b>	<b>283,952,019</b>
	<i>23,109,783</i>	<i>49,116,616</i>	<i>47,860,168</i>	-	<i>142,340,043</i>	<i>262,426,610</i>
Capital Expenditure	-	<b>25,001,630</b>	<b>65,874</b>	-	<b>278,912</b>	<b>25,346,416</b>
	-	<i>20,052,750</i>	<i>1,432,297</i>	-	<i>3,072,682</i>	<i>24,557,729</i>
Depreciation	-	<b>2,848,732</b>	<b>11,473,836</b>	<b>12,681</b>	<b>12,309,281</b>	<b>26,644,530</b>
	-	<i>210,631</i>	<i>27,800,607</i>	<i>12,681</i>	<i>10,712,965</i>	<i>38,736,884</i>

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

#### a) Geographical Segment

As the company also exports (but the exports are not significant), the secondary segment for the company is based on the location of the customers. Out of the total sale the export sale is Rs.9.03 (lakhs)(Previous year Rs.55.82 lakhs).

**11. Related Party Transactions:**

**a) Name of Related Parties & relationship:**

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

**b) Transactions with related parties:**

Name of the related party	Mr. T. Gopi Chand & Mr.T.Gopi Chand (HUF)	Mrs.T.Pavana Devi	Mr. N.V.V. Prasad	Mrs.T.Seetha Ramamma.	Mrs.N. Sridurga	Mrs.T.Tulasi Rani	Mr.T.Bapaiah Chowdary-Director
Description of the Relationship between the parties	Key Management Personnel (Vice Chairman & Managing Director) & Spouse of Mrs. T. Pavana Devi.	Key Management Personnel (Whole Time Director) & Spouse of Mr.T. Gopi Chand.	Key Management Personnel (Executive Director)	Mother of Director	Sister of the Director	Wife of the Director	Brother to the director
Description of the nature of transactions	a) Receiving of Services b) Commission on Profits c) Receipt of Application amount on Warrants	a) Receiving of Services. b) Commission on profit	a) Receiving of Services. b) Commission on Profits	Interest Paid on Public Deposits.	Interest Paid on Public Deposits.	Interest Paid on Public Deposits.	Sitting Fee
Volume of the transactions either as an amount or as appropriate proportion	a) Managerial Remuneration of Rs. 2,105,000 b) Commission of Rs.1895,471	a) Managerial Remuneration of Rs. 550,000 (up to feb'2009) b) Commission of Rs.634,226	a) Managerial Remuneration of Rs. 1,570,000 b) Commission of Rs.1362,144	a) Interest paid on Deposits Rs.18,547	a) Interest paid on Deposits Rs.7,466	a) Interest Paidon Deposit Rs.50,298	a) Sitting Fee Paid Rs.68,000
Any other elements of the related party transactions	Managerial Remuneration, & Commission was approved by Share Holders	Managerial Remuneration & Commission was approved by Share Holders	Managerial Remuneration & Commission was approved by Share Holders	NIL	NIL	NIL	NIL

## Tera Software Limited

The amounts or appropriate proportions of outstanding items pertaining to related parties at the Balance Sheet date	a) Managerial Remuneration Payable Rs. 300,476 b) Commission payable Rs.19,99,200	a) Managerial Remuneration Payable Rs. 78,008 b) Commission payable Rs.13,77,365	a) Managerial Remuneration Payable Rs. 108,617 b) Commission payable Rs.26,62,638	a) Interest Payable Rs.Nil b) Fixed Deposit payable Nil	a) Interest Payable Rs.Nil b) Fixed Deposit Payable Rs.Nil	a) Interest Payable Rs.Nil b) Fixed Deposit Payable Rs.Nil	NIL
Provisions for doubtful debts due from such parties at that date and amounts written off or written back in the period in respect of debts due from or to related parties	NIL	NIL	NIL	NIL	NIL	NIL	NIL

12. Sundry debtors, sundry creditors, other liabilities, loans and advances, advances from customers etc. are subject to confirmation and reconciliation. Necessary adjustments, if any will be made when the accounts are reconciled and settled. However the management is fairly confident that the company will not face any undue risk due to this factor.

### 13. Deferred Tax

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

The deferred tax liability as at 31<sup>st</sup> March'2009 comprise of the following:

	Rs. In lakhs As At 31st March'2009		Rs. In lakhs As At 31st March'2008	
<b>A Deferred Tax Liability</b>				
1 Related to fixed assets		198.08		182.60
<b>B Deferred Tax Assets</b>				
1 Disallowance under the Income Tax Act'1961	(82.83)		(74.25)	
2 Provision for doubtful debts	-		-	
		(82.83)		(74.25)
<b>C Provision for deferred tax (net)</b>		<b>115.25</b>		<b>108.35</b>

14. Prior period items, material items, non-recurring and extraordinary items are disclosed separately. Prior period items (net) include prior period income Rs.347,932 and prior period expenses Rs.132,897 (Previous year prior period income Rs. 38,91,175 and prior period expenses Rs. 249,078)

15. Micro and Small Scale business entities:

There are no micro and small scale enterprises to which the company owes dues, as at 31<sup>st</sup> March'2009. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act'2006 has been determined to the extent such parties have been identified on the basis of information available with the company.

16. Earnings per Share.

	<b>Current Year</b>	<b>Previous Year</b>
a) Net Profit as per Profit and Loss Account (Rs)	104,879,475	117,283,577
b) (Less): Taxation for earlier year (Rs)	2,276	(3,599,914)
c) Profit available for equity share holders (Rs)	104,881,751	113,683,663
d) Weighted average number of Equity Shares outstanding during the year	12,511,875	12,511,875
e) Potential Equity Shares on conversion of warrants	-	-
f) Weighted Average number of equity shares in computing diluted earnings per share	12,511,875	12,511,875
g) Face Value of each Equity Shares (Rs)	10	10
h) Earnings per share		
-Basic (Rs)	8.38	9.09
-Diluted (Rs)	8.38	9.09

17. Paise have been rounded off to the nearest rupee.

18. Figures for the corresponding year ended March 31, 2008, wherever necessary, have been regrouped, recast, rearranged to conform to those of the current year.

19. There is no other additional information pursuant to the provisions of Part II Schedule VI of the Companies Act, 1956.

As per our report of even date attached

For **NARVEN ASSOCIATES**

Chartered Accountants

Sd/-  
**(C.A.D.C.NAIDU)**

Partner

Membership No: 24643

For and on behalf of the board of directors

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

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

Place: Hyderabad.

Date :17.08.2009

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

## Tera Software Limited

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

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

#### I Registration Details

Registraion No. 

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

 State Code 

0	1
---	---

Balance Sheet Date 

3	1		0	3		2	0	0	9
---	---	--	---	---	--	---	---	---	---

Date          Month          Year

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

Public Issue 

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

 Rights Issue 

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

Bonus Issue 

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

 Private Placement 

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

Issue of Preferential Warrants  
Conversion of Equity Shares 

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

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

Total Liabilities 

		6	7	5	5	8	3
--	--	---	---	---	---	---	---

 Total Assets 

		6	7	5	5	8	3
--	--	---	---	---	---	---	---

**Sources of Funds:**

Paid-up Capital 

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

 Reserves & Surplus 

		3	7	5	0	5	9
--	--	---	---	---	---	---	---

Coveritable Warrants 

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

 Deferred Tax 

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

Loan Funds 

		1	6	3	8	8	1
--	--	---	---	---	---	---	---

**Application of Funds:**

Net Fixed Assets 

		1	6	6	3	6	3
--	--	---	---	---	---	---	---

 Investments 

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

Net Current Assets 

		5	0	9	2	2	1
--	--	---	---	---	---	---	---

 Misc.Expenditure 

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

Accumulated Losses 

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

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

Total Turnover 

		8	2	1	4	4	3
--	--	---	---	---	---	---	---

 Total Expenditure 

		6	5	3	7	4	7
--	--	---	---	---	---	---	---

Pofit Before Tax 

		1	6	7	6	9	7
--	--	---	---	---	---	---	---

 Profit After Tax 

		1	0	4	8	7	9
--	--	---	---	---	---	---	---

Earning Per Share (Rs.) 

		8	.	3	8
--	--	---	---	---	---

 Dividend Rate % 

			2	0
--	--	--	---	---

Dividend on Equity Shares (Rs.) 

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

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

Item Code No. (ITC Code) 

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

Product Description 

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

Item Code No. (ITC Code) 

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

Product Description 

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



**ATTENDANCE SLIP**

**TERA SOFTWARE LIMITED**

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

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

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

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

NAME AND ADDRESS OF THE SHAREHOLDER .....

I hereby record my presence at the Fifteenth Annual General Meeting of the Company held on Saturday, the 19th September, 2009 at 10.00 A.M at Jubilee Hills International Center, Road No 14, Jubilee Hills , Hyderabad - 500 033.

Signature of the shareholder or proxy

\*Applicable for investors holding shares in electronics form.

Signature

**PROXY FORM**

**TERA SOFTWARE LIMITED**

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

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

I/We.....

of .....being a member/members of Tera Software Limited hereby appoint  
..... of ..... or failing him.....of  
.....as my/our proxy to vote for me/us and on my/our behalf at the Fifteenth Annual  
General Meeting to be held on Saturday, the 19th September, 2009 at 10.00 A.M. or at any adjournment thereof.

Signed this.....day of.....2009

\*Applicable for investors holding shares in electronic form.

**Affix  
Revenue  
stamp**

Signature

**Note:**

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