



Realize Your Ideas



08-09
ANNUAL REPORT

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The Calsoft Group

About us

California Software Company Limited (Calsoft) is a global Outsourced Product Engineering & Enterprise Solutions company with a strong background in consulting, development and implementation. We employ about 1000 people in 12 locations worldwide. Committed to delivering enduring stakeholder value, Calsoft collaborates with its customers and partners to help them become high performance businesses.

Our Business

Business Divisions

- Calsoft Labs
 - Product Engineering Services
- Calsoft Enterprise Solutions
 - Consulting and System Integration
- Calsoft Strategic Investments
 - Identify, invest in and manage synergic acquisitions, partnerships and joint ventures

Geographies we operate in

- America
- Europe
- Middle East

Strategic Investments

- Informed Decisions Corporation, Alameda, CA, USA
- Aspire Communications, Mysore, India

Joint Ventures

Calspence Technologies Private Limited, Colombo, Sri Lanka

This year the Calsoft Group has opened up a new line of business by adding Infrastructure Management Services to its portfolio of offerings. It provides Managed services, Hosting services and Infrastructure Management services.





Calsoft Business Divisions

1 Calsoft Labs

Calsoft Labs is the technology arm of the Calsoft group and provides outsourced product engineering services to both established companies and start ups. It helps accelerate the development of software products and reduces time to market through its high-end software engineering skills in cutting-edge technologies, proven processes, methodologies and tools. Its full lifecycle services include product development, testing & QA, sustenance engineering, embedded hardware design and embedded software development.

Calsoft Labs has focused on providing high-end solutions and services to Network Equipment Manufacturers, Independent Software Vendors (ISVs), Computer Hardware and Peripherals, Industrial Automation companies, Automotive Electronics companies and Mobile, Multimedia and Consumer Electronics (MMC) companies. Calsoft Labs is one of the very few product engineering services companies to specialize in three niche areas of Networking and Datacom, MMC and Embedded Systems.

Calsoft Labs has over 150 satisfied customers and has developed and tested more than 500 products. The key customers in this division include IXIA, Radware, PEQ, Kronos, EMC, Blade Network Technologies, Karl Storz, Kasenna, CISCO, Malatta, U4EA Technologies etc.

Calsoft Labs has formed strategic and technology partnerships with key global technology providers that helps it acquire and offer a wide spectrum of technology solutions to its customers. Its key partnerships are with Phoenix Technologies, Adobe, Microsoft, Intel and IXIA.

Calsoft Labs key differentiator is that it focuses on key niche technology areas; and for a company of its size, it does not spread itself thin. The strategy has been to identify a niche area and then partner with companies that dominate in that space.

With these partnerships, Calsoft Labs is able to initially engage with many customers on relatively small projects, which are then developed into stronger relationships with the objective of moving from a project mode into an offshore development center (ODC) arrangement. Currently, Calsoft Labs has over 8 ODCs for different customers and this ensures that at least 70% of the annual revenue is recurring.

Calsoft Labs delivers enhanced value to its customers through Intellectual Property and reusable components, flexible engagement models and framework and methodologies. This reduces the product development time leading to faster time to market.

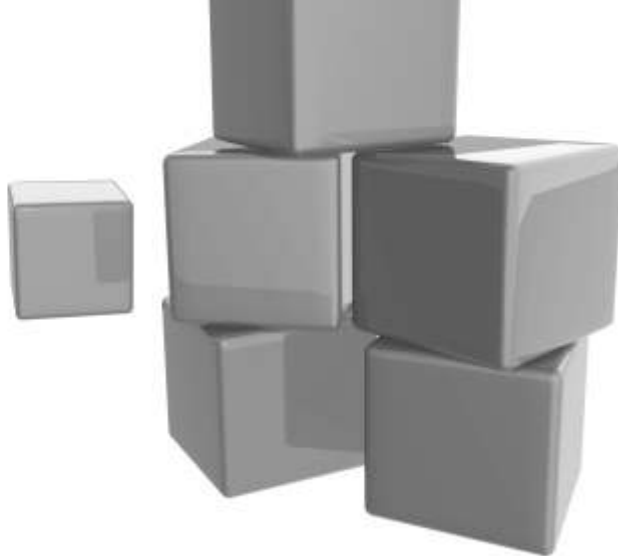


Calsoft Labs is one of the very few product engineering services companies to specialize in three niche areas of

- Networking & Datacom
- Mobile, Multimedia & Consumer Electronics
- Embedded Systems

Calsoft Business Divisions

2 Calsoft Enterprise Solutions



Calsoft acquired majority stake in Inatech Infosolutions Pvt. Ltd., Bangalore, India in 2006. It completed 100% acquisition of Inatech Infosolutions in 2008. With this acquisition, Calsoft inherited a skilled employee base competent on Oracle Solutions. Inatech is an Oracle Certified Advantage Partner and is the winner of Oracle UK Partner Awards 2008 for "Client Satisfaction - Oracle Applications" and Finalist for "Most Innovative Use of Technology".

Calsoft's home-grown Microsoft Business Solutions unit and Commodities Solutions unit along with Inatech were combined to form the Calsoft Enterprise Solutions division. Subsequently, Calsoft acquired 100% stake in International Innovations Inc. USA, a company with Business Intelligence capabilities. International Innovations was merged with Calsoft ES thus enhancing the BI capabilities of the division.

Calsoft Enterprise Solutions assists business organizations derive maximum value from their technology investments through business solutions. The key focus areas for the ES group are:

- Technology Strategy & Planning
- Business Process Enablement
- Business Intelligence & Data Mgmt
- Consulting & System Integration

Our range of services include Strategic & Operational Business Consultancy, Implementation, RICE Components, Testing, Technical Architecture, Product

development, Training, Managed Services, License Management and Migration.

It provides these services across multiple industry segments: Finance & Banking, Communications, Manufacturing, Services, Retail & Distribution, Healthcare, Engineering & Construction, Govt. & Public Sector, Logistics & Transportation and Energy.

Some of the key customers in this division include Motability, Merial LLC, Interoute, Farmers Insurance, AP Moller Group, Chemoil, Dubai Bank, VANCO etc.

Calsoft ES division has formed strategic and technology partnerships with key global technology and software providers that help it service its customers better. Inatech is an Oracle Certified Advantage Partner and a Microsoft Certified Gold Partner. International Innovations has partnerships with Solix in the BI space and CAST software.

Calsoft ES has strong domain specialists with extensive domain knowledge, mature processes, rich implementation experience, excellent customer references and a readily available highly skilled consulting team. The consultative and approachable strategy adopted by Calsoft ES has reaped benefits in terms of more repeat customers, increased business from existing customers and better margins.



Inatech is the winner of Oracle UK Partner Awards 2008 for "Client Satisfaction - Oracle Applications" & Finalist for "Most Innovative Use of Technology".



Calsoft Business Divisions

3 Calsoft Strategic Investments

The focus of this Business Division is to identify, invest in and manage synergic acquisitions, partnerships and joint ventures. Over the last five years, Calsoft has made eight acquisitions and one joint venture investment. Of the eight acquisitions, WebSpectrum, Inatech and International Innovations were integrated fully into the other two business divisions, while American Healthnet, TFL and Codex were divested. On the remaining two, Informed Decisions Corp (IDC) and Aspire Communications, Calsoft continues to retain majority stake. The partnership with Sri Lanka based Aitken Spence (AS) has developed into a joint venture company called Calspence Technologies Private Limited.

Current strategic investments and partnerships

Informed Decisions Corporation, USA

IDC is a leading provider of customer-focused business office products for higher education institutions within the USA since 1988. Calsoft has a 51% stake.

Calsoft helped it transition to a SaaS model, thus adding to its technological capabilities. The CASHNet Suite of payment products and solutions comprises of ePayment, Cashiering, eMarket, MyPaymentPlan, eBill and eRefund.


Aspire Communications, India

A leading technology driven company focused on solutions in the areas of embedded hardware design, product re-engineering, outsourced product manufacturing, device drivers' development, RTOS porting and application software development. Calsoft has a 51% stake.

Calspence Technologies, Sri Lanka

Calspence the joint venture company between Calsoft and Aitken Spence, (www.aitkenspence.com) will leverage on the IT strengths of Calsoft and the domain expertise of AS to come up with solution offerings for a global market. Calsoft has a 50% stake in this company.

Aitken Spence PLC (Est. 1868) is a leading diversified blue-chip conglomerate with major interests in Hotels, Travel & Tourism, Logistic Solutions and Power Generation. In addition, the Group, with an annual turnover of over Rs. 27.5 billion (2007/08) has a significant presence in Plantations, Insurance, Financial Services, IT, Printing and Garments. The company is listed in the Colombo Stock Exchange.



The strategic investments that Calsoft made has grown under the Calsoft group umbrella and have shown remarkable growth in terms of revenues and market share.

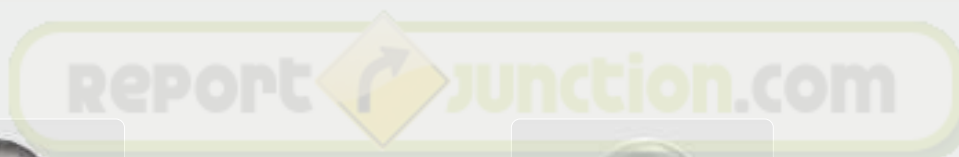
Board of Directors



Clyde Michael Bandy
Chairman
(Non-Executive Chairman & CEO,
Chemoil Energy Ltd.)



S. (Sam) Santhosh
Managing Director & CEO



Dan George Peterson
Non-Executive Director
(President & CEO
Informed Decisions Corporation)



Prof. P. J. George
Independent Director
(Former Director, Technical Education,
Kerala)



S. Santhanakrishnan
Independent Director

Leadership team



S. (Sam) Santhosh
Managing Director & CEO



Sai Satyam
CFO



Vedante Srihari
Managing Director - Inatech Solutions
Head - Calsoft ES



Ramandeep Singh
CTO
Head - Calsoft Labs



Dan George Peterson
President and CEO
Informed Decisions Corporation



Dr. Mahesh Rao
CEO
Aspire Communications

Letter to Shareholders

S. (Sam) Santhosh
Managing Director



REPORT

Though all our Divisions on their own are quite valuable, last year we have not been able to get the sum of the value of the parts reflected in the total value of the Calsoft Group. I would like to assure all of you that we will take all measures to ensure that our shareholders are able to realize the true value of the company in the coming years.

Dear Shareholder,

Last year was a very tough one for Calsoft. With revenues of Rs.268 crores and net loss of Rs.22 crores, this was the worst year in the history of Calsoft.

During the previous four years of continuous growth, when we grew from under Rs. 50 crores revenue in 2004-05 to Rs. 234 crores in 2007-08, we had also maintained our profitability reaching a net profit of Rs.15.4 crores in 2007-08. However, for the year under report, though the revenue did increase by about 14%, this was mostly due to the depreciation of the rupee and the factor that counts most - profit, took a net negative swing of about Rs.38 crores from the previous year.

Though the results look distressing at first glance, on a more detailed examination, we can see that most of the losses were due to one time events caused by the global recession and streamlining of the strategic investments that we had made. I would like to take you briefly through the factors that contributed to the loss and the steps that we have taken to get back to profitability.

The majority of the losses came from provisions for doubtful debts of Rs.14.3 crores that we had to provide for two of our U.S accounts - Nortel Networks and American Healthnet. Nortel Networks, which was our largest customer, went into bankruptcy last year and the receivables from them are in doubt.