



Realize Your Ideas



2010-11

ANNUAL REPORT

Corporate Information

At a Glance

California Software Company Limited (Calsoft) is a global software company with a strong background in consulting, development and implementation.

Founded

1992

Headquarters

Chennai, India

Stock symbol

NSE (Calsoft), BSE (Calisof)

Chief executive officer

S. (Sam) Santhosh

Web site address

www.calsoftgroup.com

Headquarters

Robert V Chandran Tower, # 149, Velachery Tambaram Main Road, Pallikaranai, Chennai 600 100, India.

Phone +91 44 4282 9000 | Fax+91 44 4282 9012

Board of Directors

Thomas Kevin Reilly	Chairman (wef 06th May 2011)
Clyde Michael Bandy	Chairman (upto 25th April 2011)
S. (Sam) Santhosh	Managing Director & CEO
Jerome Lazatin Lorenzo	Director (upto 03rd March 2011)
Mats Henrik Berglund	Director (wef 27th April 2011)
Dan George Peterson	Director
Dr. P. J. George	Independent Director
S.Santhanakrishnan	Independent Director

Company Secretary & Compliance Officer

Jitendra Kumar Pal

Auditors

Consolidated & Standalone

Tomy & Francis
Chartered Accountants

Main Bankers

Canara Bank

Stock Exchanges listed on

National Stock Exchange of India Limited
The Bombay Stock Exchange Limited

For demat & share transfer enquiries - Registrars and share transfer agent

Integrated Enterprises (India) Ltd.
(Unit: California Software Co. Ltd.)
2nd floor, Kencees Towers, 1, Ramakrishna Street, North
Usman Road, T Nagar,
Chennai 600017 India
Tel +91-44- 2814 0801 to 2814 0803
Email sureshbabu@iepindia.com

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Company Profile

About Us

Founded in 1992 and headquartered in Chennai; California Software Company Limited (Calsoft) is a global Software Services Company with a strong background in consulting, development and implementation.

Calsoft has 2 Business Divisions: Inatech and Strategic Investments.

Business Divisions

Inatech

- Consulting and System Integration and Managed Services

Strategic Investments

- ePay LLC, California, USA
- Impelsys Inc, USA

Joint Ventures

- Calspence Technologies Private Limited, Colombo, Sri Lanka

Our Offerings

Inatech

Inatech assists business organizations derive maximum value out of technology investments through Oracle and Microsoft business solutions.

Inatech is a globally Certified Platinum Partner for Oracle and is well positioned to provide a complete and integrated portfolio of services as a specialist Software / Application systems integrator.

Inatech also provides Managed Services across multiple technologies and Applications

The key focus areas for the Inatech group are:

- **Managed Services**
- **Consulting and System Integration**
- **Business Process Enablement**

It provides these services across multiple industries and segments.

Strategic Investments

The focus of this business division is to identify, complete and manage synergistic acquisitions. Current strategic investments include:

- ePay (CNHC LLC) - Based in California, USA. ePay is a leading provider of secure electronic payment processing solutions and self-service patient payment portals for hospitals. Based on the SaaS model the product is a one stop shop for payment solutions for the healthcare industry.
- Impelsys - Impelsys is a US-based Company that supports the global book publishing market with electronic content delivery products and services. It has a sales offices in New York and a development center in Bangalore.

Joint Venture

- Calspence is a Sri Lankan based joint venture company between Calsoft and Aitkin Spence. Focusing on the Sri Lankan market Calspence delivers implementation and consulting services.

Board Of Directors



Thomas Kevin Reilly
Chairman



S. (Sam) Santhosh
Managing Director



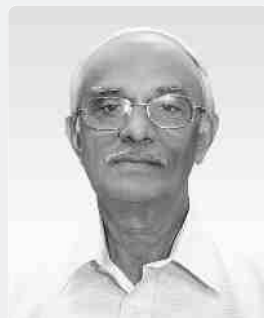
Mats Henrik Berglund
Director



Dan George Peterson
Director



S. Santhanakrishnan
Independent Director



Prof. P. J. George
Independent Director

Letter to the Shareholder

From the CEO's Desk



Dear Shareholder,

Greetings!

It gives me immense pleasure to present the achievements of Calsoft for the financial year 2010-11.

Your company has reported revenues of Rs. 180.98 crores as against Rs. 200.50 crores in the previous year.

I am pleased to announce the successful completion of the sale of your Outsourced Product Division - Calsoft Labs to ALTEN EUROPE, SARL (Alten). The sale includes all its tangible and intangible assets and transferred OPD employees. The total sale consideration is around Rs.100 Crores payable on meeting certain performance targets over the next 18 months as outlined in the definitive agreements.

Business Units:

Inatech: The unit has consolidated its operations and service offerings over the last year. It has expanded its revenues in Middle East and has been able to hold its revenues in its traditional market – UK.

On the business side Inatech has ramped up its delivery and sales capability in the Managed Services space and is projected to generate a sizable revenue from this business stream in the fy 2011-12.

Strategic Investment:

ePay.LLC: Operating on the SaaS model and servicing the healthcare industry, the company currently has 126 live customers. Some key customer names include Nebraska Orthopedic Hospital, Amsurg Hospital Group etc.

In the case of Calsoft the parts are more valuable than the sum. In the coming year we will generate more value for our shareholders through our business unit Inatech and strategic investments.

I thank our investors, customers, employees and all other key stakeholders for their continued support and patronage.

A stylized handwritten signature in black ink.

S. (Sam) Santhosh

Managing Director

Financial Highlights

(All figures Rs. in Crores, unless mentioned otherwise)
(except share related data)

	Consolidated Basis			Standalone Basis		
	March 31	March 31	March 31	March 31	March 31	March 31
	2011	2010	2009	2011	2010	2009
FOR THE YEAR ENDED						
Total Revenues	180.99	200.5	268.68	75.33	90.06	81.32
Operating Profit	(18.16)	11.29	(4.92)	(0.05)	23.17	7.45
Profit Before Taxes	(35.32)	59.98	(25.09)	(13.65)	8.26	(5.50)
Net Profit after Taxes and Adjustment	(19.14)	35.68	(22.74)	(7.80)	5.29	(8.05)
Net Profit as a % of revenue	NA	17.8	NA	NA	5.87	NA
As at End of the Year						
Net Fixed Assets	137.59	140.95	143.29	74.99	85.23	90.9
Cash & Bank Balances	20.86	22.90	40.31	4.47	5.44	2.36
Share Capital	12.36	12.36	12.36	12.36	12.36	12.36
Total Shareholder fund	87.62	109.15	83.41	93.17	100.98	98.58
Total Loan Fund	96.23	79.09	92.78	70.42	65.38	79.24
Share Related Data						
Earnings per Share						
Basic (Rs)	(15.48)	28.86	(18.39)	(6.31)	4.28	(6.51)
Diluted	(15.48)	28.86	(18.39)	(6.31)	4.28	(6.51)
Dividend for Equity share (Rs)	Nil	2	Nil	Nil	2	Nil
Dividend %	Nil	20	Nil	Nil	20	Nil
Book Value per share (Rs)	70.87	88.27	67.46	75.35	81.66	79.72
Market Capitalization	37.03	52.18	17.43	37.03	52.18	17.43
Based on share price on NSE - 31st March 2011						

Previous Year's figures have been reclassified to conform to current years figures wherever applicable

Directors' Report

Dear Shareholders,

Your Directors have pleasure in presenting their Report on the Business & Operations of your Company and its working results for the year 2010-11.

Financial Results - Highlights

All figures in Rupees Crores except EPS

Details	Consolidated		Standalone	
	Year ended March 31, 2011	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2010
Total Revenues	180.99	200.50	75.33	90.06
EBITDA	(18.16)	11.29	(0.05)	23.17
Interest & Finance Charges	10.60	11.40	8.16	8.87
Depreciation & Amortization	8.28	10.54	5.44	6.04
Profit before Tax	(35.32)	33.22	(13.65)	8.26
Provision for Taxation				
Current Tax	(10.25)	15.48	Nil	1.37
Deferred Tax	(5.93)	8.81	(5.85)	1.60
Profit after tax (PAT)	(19.14)	35.68	(7.80)	5.29
Surplus available for appropriation	14.33	36.76	Nil	21.99
Appropriations				
Dividend Proposed	Nil	2.47	Nil	2.47
Dividend Distribution Tax	Nil	0.42	Nil	0.42
Transferred to General reserve	Nil	0.40	Nil	0.40
Balance Carried to Balance sheet	14.33	33.48	10.89	18.70
Paid-up Equity Share Capital	12.36	12.36	12.36	Nil
Earning per share for the year (Rs)				
i) Basic	(15.48)	28.86	(6.31)	4.28
ii) Diluted	(15.48)	28.86	(6.31)	4.28

**Note: Previous year's figures have been reclassified wherever necessary to conform to current year classification.*

Results of Operations

I) Consolidated Results

During the year, your Company on a consolidated basis with all its subsidiaries earned total revenue of Rs. 180.99 Crores as against Rs. 200.50 Crores earned during the previous year. The EBITDA during the year is Rs. (18.16) Crores as against Rs. 11.29 Crores for the previous year. After taking into account the tax provisions and adjustments for minority interest, prior period adjustments and extraordinary items if any, the loss for the year is Rs. (19.14) Crores as against a profit of Rs. 35.68 Crores of the previous year. The results of operations of acquired subsidiaries have been consolidated into the accounts.

II) Standalone Results

During the year, your Company on a standalone basis earned total revenue of Rs. 75.33 Crores as against Rs. 90.06 Crores earned during the previous year. The EBITDA during the year is Rs. (0.05) Crores as against Rs. 23.17 Crores of the previous year.

After taking into account the tax provisions and adjustments, the loss for the year was Rs. (7.80) Crores as against a profit of Rs. 5.29 Crores for the previous year.

Dividend

Your Directors do not consider it prudent to recommend any dividend as your company has been running at a loss for the year ended 31st March 2011.

Business

Your company is primarily engaged in the business of providing IT services and solutions to its customers in US, Europe, Middle East and India.. Our consolidated revenues show a loss due to 2 main reasons listed below:

- The impairment from American Healthnet – a wholly owned subsidiary of CSWL.
- Write off of bad debts resulting from 2 of our US customers

Your company has been engaged in the process of completing the sale of its Outsourced Product Development Business to Alten Europe (SARL). The sale includes all its tangible and intangible assets and head counts. The sale was concluded on 18th April 2011 for a consideration of about Rs. 100 Crores including initial payment and future payments based on the OPD business meeting certain performance targets over the next 18 months as outlined in the final definitive agreements.

Due to the divestments of its subsidiaries and also the sale of its OPD business division (Calsoft Labs) your company operations have become smaller in size with only 266 employees compared to 945 last year.

Review of Subsidiaries

I - CSWL, Inc. USA and its subsidiaries

CSWL Inc and its subsidiaries earned total revenue of US\$ 22.50 million (equivalent to Rs. 105.84 Crores approx) on a consolidated basis during the year, compared to US \$ 24.55 million (equivalent to Rs.109.73 Crores) achieved during the previous year.

The subsidiary reported a net loss of US\$ (2.77) million -approx (Rs. 12.51) Crores as compared to net consolidated profit of US\$ 6.92 million (equivalent to Rs. 32.56 Crores) last year.

The results of existing subsidiaries HealthNet International Inc., Aspire Soft, International Innovations Inc, Waldron Ltd and CNHC, LLC DBA ePayhealthcare ("ePay") are included for the full year under review.

II - Inatech Infosolutions Pvt. Ltd

The consolidated results of Inatech including its wholly owned UK subsidiary and UK Subsidiary's subsidiary Inatech Egypt have been taken into the Company's consolidated results.

Inatech on a consolidated basis reported revenues of Rs.53.70 Crores with a loss of Rs.(4.95) Crores against the consolidated reported revenues of Rs.70.09 Crores and profits after tax of Rs. (0.71) Crores of the previous year.

III - Aspire Communications Pvt, Ltd

The Consolidated results of Aspire including its wholly owned Subsidiary Aspire Peripherals Limited have been taken into the Company's Consolidated results for the full year.

Aspire on a consolidated basis has reported revenues of Rs. 6.29 Crores and net loss of Rs.(0.04) Crores against the consolidated reported revenues of Rs 5.11 Crores and net profit of Rs.0.06 Crore of the previous year.

IV - EastPoint Solutions Limited

This company was incorporated as a wholly owned subsidiary in the year 2007 in order to make appropriate foray in Business Process Outsourcing area (BPO) either on start up basis or with suitable investments /acquisitions of existing companies in this space. As on date the Company is yet to commence any commercial activity and there are no revenues or profits for the period ended March 31, 2011.

V - Calsoft Labs (India) Private Limited

Calsoft Labs (India) Private Limited was incorporated, in January 2011 to facilitate the transfer of the assets of the OPD Business of Labs after the completion of its sale to ALTEN Europe

The Company reported a turnover of Rs. 2.96 Crores.

VI - Calspence Technologies Private Limited (JV Company)

Calspence Technologies Private Limited in which the Company hold 50% shares reported a turnover of Rs.0.80 Crores with a loss of Rs.0.07 Crores for the year ending 31st March 2011.

Central Government Approval

Your company has been making applications for an approval under Section 212(8) of the Companies Act, 1956 from the Ministry of Corporate Affairs, seeking exemption from attaching the Annual Report of Subsidiary Companies with the Annual Report of the Company. The Ministry of Corporate Affairs, Government of India vide its Circular dated 08th February 2011 has provided general exemption to companies from attaching the balance sheets of their Subsidiary Companies as required under Section 212(8) of the Companies Act, 1956.

The exemption is available provided the company publish the audited consolidated financial statements in the Annual Report. The Consolidated financial statements duly audited are presented along with the accounts of your company. The statement as required under section 212 is given as part of the consolidated accounts in this report. The annual accounts of subsidiary Companies are kept at the company's registered office and also at the respective registered office of the subsidiaries for inspection and shall be made available to the members seeking such information.

Capital Market Developments

The market capitalizations of your Company stood at Rs.37.03 crores as on March 31, 2011, based on the closing quotations on the National Stock Exchange.

Completion of Transfer of OPD Business Division (Calsoft Labs)

During the year the company has completed the closure of its sale of Outsourced Product Division (OPD Business Division) of Calsoft to the buyer ALTEN EUROPE, SARL (Alten). The sale include all its tangible and intangible assets and transferred OPD employees. The total sale consideration is around Rs.100 Crores including initial payment and future payments based on OPD business meeting certain performance targets over the next 18 months as outlined in the definitive agreements.

Directors

Mr. Jerome Lazatin Lorenzo has resigned as director with effect from 03rd March 2011 and Mr. Clyde Michael Bandy resigned as Chairman and Director with effect from 25th April 2011. The Board wishes to place on record its deep sense of appreciation for the invaluable contribution made by Mr. Jerome Lazatin Lorenzo and Mr. Clyde Michael Bandy during their tenure as directors of the Company.

Mr. Mats Henerik Berglund, Chief Operating Officer & Chief Financial Officer of Chemoil has been inducted as an additional director with effect from 27th April 2011. Mr. Mats has held very senior positions in various industries. Mr. Mats Henerik Berglund is a non executive director. Mr. Mats Henerik Berglund will hold office upto the date of the ensuing Annual General Meeting. Mr. Thomas Kevin Reilly, Chief Executive Officer of Chemoil has been appointed as additional director with effect from 06th May 2011. He is the Chairman (non executive) of the Board. He has rich experience in the field of Fuel trading and bunker operations. He will hold office up to the date of the ensuing Annual General Meeting.

The Company has received notice under Section 257 of the Companies Act, 1956 from a member proposing Mr. Mats Henerik Berglund and Mr. Thomas Kevin Reilly for appointment to the office of Director liable to retire by rotation.

As per Article 121 of the Articles of Association Mr. S. Santhanakrishnan retires by rotation in the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.

Auditors

The statutory auditors M/s Tomy & Francis, Trichur, Chartered Accountants retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office, if re-appointed.

Auditors Report

With reference to auditor's remark in consolidated audit report, we state as follows-

1. Diminution in the value of investments in the subsidiary and dues from the subsidiary

We are of the opinion that the losses incurred in the subsidiary are temporary and there is no permanent diminution in the value of investments and hence this does not require provisions. We are hopeful to recover the dues from the subsidiary in the current year.

2. Service Tax Refund Claim

The company has made a Service Tax refund claim and this is pending settlement. We are hopeful of succeeding in the appeal and hence no provision has been made.

3. Amount paid to Director

This amount was paid to a Director as compensation for loss of office as his services has been discontinued. As per section 269 of the Companies Act, 1956 no approval is required for this payment disbursement. No provision is required as per recent Circular issued by Ministry of Corporate Affairs. The board has decided to not to recover the amount.

Deposits

We have not accepted any fixed deposits and as such no amount of principal or interest was outstanding as of the Balance Sheet date.

Corporate Governance

Your Company has been practicing the principles of good Corporate Governance. A detailed report on Corporate Governance is given as an Annexure to this Annual Report.

Certificate of the Auditors regarding the compliance with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement is also given in the Annual Report.

Human Resource Management

Employees are our most valuable assets. We have created a favorable work environment that encourages innovation and meritocracy.

The total number of our head count as on 31st March 2011 was 266 as against 945 as on March 31st 2010. All labs employees were transferred to Calsoft Labs (India) Private Limited prior to completion of sale of the OPD Business Division.

Particulars of Employees

In terms of the provisions of section 217(2A) of the Companies Act 1956, read with the Companies (Particulars of Employees) Rules 1975 as amended, the names and other particulars of the employees are required to be set out in the Annexure to the Directors' Report and form part of this report as Annexure. However, as per the provision of the Section 219 (1) (b)

(iv) of the said Act, the Annual Report excluding the aforesaid Annexure information is being sent to all the members of the Company and others entitled thereto. Members who are interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company for the same.

Conservation of energy, technology absorption, foreign exchange earnings and outgo

The particulars as prescribed under sub-section (1) (e) of section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988, are set out in the Annexure forming part of this report.

Directors' Responsibility statement

Pursuant to section 217 (2AA) of the Companies (Amendment) Act, 2000, the Directors confirm that:

- In the preparation of the Annual Accounts for the year under report, the applicable accounting standards have been followed;
- Appropriate accounting policies have been selected and applied consistently and have made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2011;
- Proper and sufficient care has been taken 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;
- The Annual Accounts have been prepared on a Going Concern Basis.

Acknowledgement

Your Directors take this opportunity to thank the customers, shareholders, suppliers, bankers, business partners/ associates and Government and regulatory authorities in India and other countries of operation for their consistent support and encouragement to the Company and look forward to their continued support during the coming years. Your Directors place on record their appreciation for the valuable contribution made by the employees at all levels.

For and on behalf of the Board of Directors

Chennai
June 27, 2011

Dr. P. J. George
Director

S. Santhosh
Managing Director