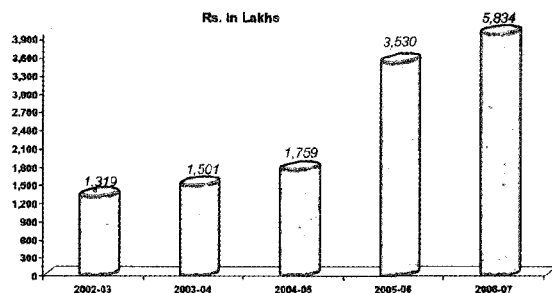


**TERA SOFTWARE LIMITED**

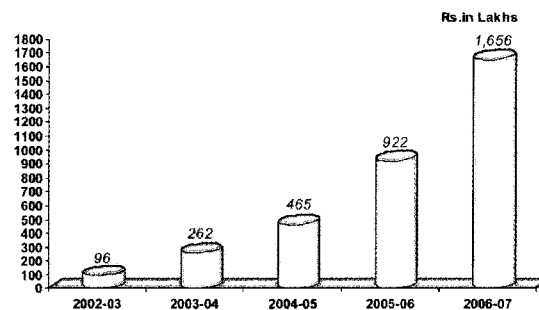


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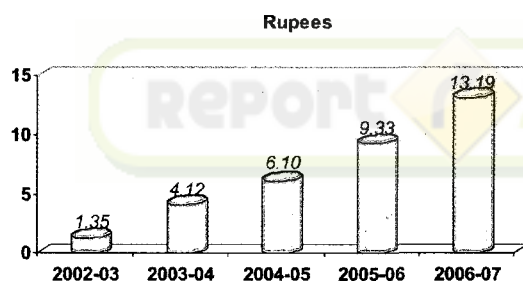
## GROSS TURNOVER



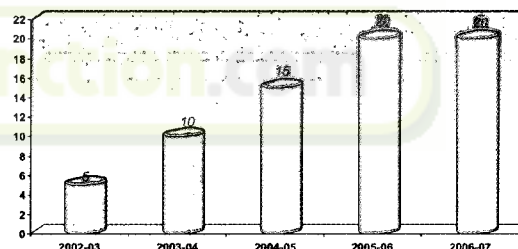
## PROFIT BEFORE TAX (PBT)



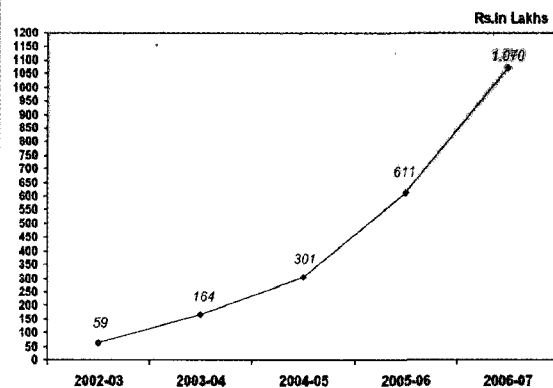
## CASH EARNING PER SHARE



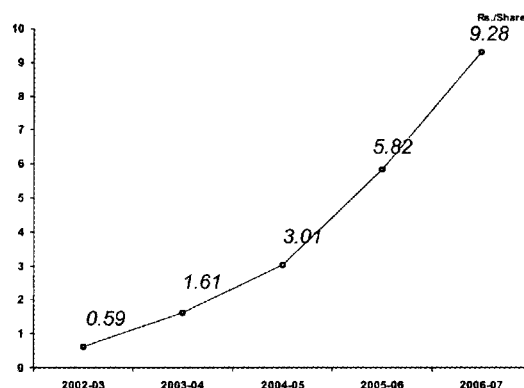
## DIVIDEND PER SHARE (%)



## NET PROFIT (PAT)



## EPS



*Tera Software Limited***BOARD OF DIRECTORS:**

1. Sri D. SEETHARAMAIAH	CHAIRMAN
2. Sri K. RAMA RAO	DIRECTOR
3. Sri T. BAPAAIAH CHOUDARY	DIRECTOR
4. Sri R. S. BAKKANNAVAR	DIRECTOR
5. Dr. T. HANUMAN CHOWDARY	DIRECTOR
6. Dr. T. V. LAKSHMI	DIRECTOR
7. Smt. T. PAVANA DEVI	WHOLE TIME 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 - 500 073.  
Tel.Nos.91-40-23736833/23730553.  
Fax:91-40-23743526.  
E-Mail : hyd1\_tspl@sancharnet.in  
Url: www.terasoftware.com

**AUDITORS:**

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

**BANKERS:**

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

**REGISTRAR AND SHARE TRANSFER AGENTS:**

M/s Sathguru Management Consultants Private Limited  
Plot No.15, Hindi Nagar,  
Panjagutta, Hyderabad - 500 034  
Ph. No: 040 - 23356507 & 23350586 Fax: 23354042.

*Tera Software Limited***NOTICE**

Notice is hereby given that the Thirteenth 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 Friday, the 28th day of September, 2007 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 2007, 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 Dr. T. Hanuman Chowdary, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Dr. T.V.Lakshmi, who retires by rotation and being eligible offers herself for re-appointment.
5. To appoint a Director in place of Sri T. Bapaiah Chowdary, who retires by rotation and being eligible offers himself for re-appointment.
6. 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 fix their remuneration.

By Order of the Board of Directors

Date : 31.08.2007

Place : Hyderabad.

Sd/-

(T. Gopi Chand)

Vice Chairman and Managing Director

**Notes:**

1. 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.
2. 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.
3. Members/Proxies should fill the attendance slip for attending the meeting.
4. 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.
5. The Company has already notified closure of Register of Members and the Share Transfer Books from Saturday, 22nd September 2007 to Friday, 28th September 2007 (both days inclusive).
6. Shareholders are requested to bring their copy of Annual Report to the meeting.

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

Serial Number	1	2	3
Name	Dr. T. H. Chowdary	Dr. T.V.Lakshmi	Sri T. Bapaiah Chowdary
Designation	Director	Director	Director
Age	75 Years (18.10.1931)	48 Years (1.1.1959)	51 Years (4.8.1956)
Qualification	B. Tech.	Phd.	Post Graduate
Date of Appointment	27.09.2003	27.09.2003	27.9.2004
Nature of expertise in specific functional areas	Founder Chairman of VSNL, former IT advisor to Govt. of AP and renowned name in the IT field.	Experienced Scientist with strong R&D background specially in GIS/GPS and quality.	Noted Business Man in Agri Industry
Remuneration	Rs.27,000/-p.a. (Sitting Fees)	Rs.42,000/- p.a. (Sitting Fees)	Rs.42,000/- p.a. (Sitting Fees)
No. of outside Directorships held	2	1	NIL
Chairman of the Committee of Board of Directors of the Company	Nil	Nil	(1) Shareholders' Grievance Committee
Member of the Committee of Board of Directors of the Company	NIL	(1) Remuneration Committee (2) Shareholders' Grievance Committee	(1) Remuneration Committee
Chairman/member of the Committees of other Companies	2	Nil	NIL

**By Order of the Board of Directors**

Sd/-

**(T. Gopi Chand)**

Vice Chairman and Managing Director

Date: 31.08.2007

Place: Hyderabad.

**DIRECTORS' REPORT**

Dear Shareholders,

Your Directors have pleasure in presenting the Thirteenth Annual Report and the audited accounts of the company for the year ended 31st March 2007 together with Auditors' report thereon.

**a) Operational Results:**

(Rs. In Lakhs)

PARTICULARS	Year Ended 31.03.2007		Year Ended 31.03.2006	
Gross Income		5833.57		3529.69
Expenditure		3557.03		2155.77
Profit before interest, deprecation & tax		2276.54		1373.92
Less: Interest (Financial Cost)		169.91		83.50
Profit before depreciation & tax		2106.63		1290.42
Less: Depreciation		450.09		368.20
Profit before tax		1656.54		922.22
Less : Provision for tax				
Current year	576.89		281.17	
Deferred tax	5.59		24.96	
Fringe Benefit tax	4.00	586.48	4.60	310.73
Profit after tax		1070.06		611.48
Add: Balance brought forward from Previous Year	248.78		345.98	
Add/(Less): Excess provision of Taxation for Earlier years	-		1.39	
Add/(Less): Taxation for earlier years	(1.38)	247.41	-	347.37
Profit available for distribution		1317.47		958.85
Less:				
Transferred to General Reserve	500.00		500.00	
Proposed Dividend @ 20% (Previous Year 20%)	250.24		184.19	
Tax on distributable profits	42.53		25.83	
Tax on dividend for earlier Years	-		0.01	
Residual dividend earlier years	-	792.77	0.04	710.07
<b>Balance Carried to Balance Sheet</b>		<b>524.70</b>		<b>248.78</b>

**b) Financial Performance:**

The Company with its focused attention on e-Governance Projects could increase its turnover by 65% to 5833.57 lakhs and the profit before tax improved by 75% to 1656.54 lakhs compared to the previous year. The Company rewarded its members by issuing fully paid bonus shares in the ratio of 4 : 1 by capitalising the reserves as approved by the members. To strengthen the capital structure, the Company during the year, further issued 8,00,000 lakhs convertible warrants at a price of Rs. 77/- each on preferential basis in consonance with the members resolution dated 05.06.2006.

**c) 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.

**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 The Hyderabad Stock Exchange Limited and Bangalore Stock Exchange Limited. The listing fee was paid up to date.

**e) Overseas Office:**

The foreign branch in U.S.A. was closed during the year due to no significant business transactions in the international market.

**f) Fixed Deposits:**

The Company has not accepted fixed deposits during the year to which the provisions of Section 58A of the Companies Act, 1956. There are no overdue amounts of deposits including the interest thereon as at the end of the year.

**g) Directors:**

In accordance with the provisions of the Companies Act, 1956, and the Articles of Association of the Company, Dr. T.H Chowdary, Director, Dr. T.V. Lakshmi, Director and Sri T. Bapaiah Chowdary, Director, will be retiring by rotation at this annual general meeting and being eligible offer themselves for reappointment.

**h) 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 effected, would be in accordance with section 224 (1B) of the Companies Act 1956.

**i) 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	48	01.09.1995	26	25,44,228	Senior Technical Officer, Electronics Corporation of India Limited

**j) Conservation of energy, technology absorption and foreign exchange earnings/out goings:**

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 is not an energy intensive unit.
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	53,61,492	1,27,10,000
<b>Total</b>	<b>53,61,492</b>	<b>1,27,10,000</b>



**2. Expenditure in Foreign Currency (CIF):**

Particulars	Current Year (Rs.)	Previous Year (Rs.)
Import of Raw Material	Nil	Nil
Traveling Expenses	Nil	Nil
Expenses incurred at Overseas branch	Nil	1,31,565
<b>Total</b>	<b>Nil</b>	<b>1,31,565</b>

**k) 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, 2007 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, 2007 on a going concern basis.

**l) 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**

Date: 31.08.2007  
Place: Hyderabad.

Sd/-  
**(T. Gopi Chand)**  
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:**

Category	Name of the Directors
Promoter/Executive Directors	Sri T. Gopi Chand, Sri N.V.V.Prasad and Smt. T. Pavana Devi
Promoter Non-Executive Director	Sri T. Bapaiah Choudary
Non-Promoter Executive Director	Nil
Non-Executive and Independent Directors	Sri D. Seetharamaiah, Sri R.S.Bakkannavar, Dr. T. Hanuman Chowdary Dr. T.V.Lakshmi and Sri K. Rama Rao

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

During the year the Board met eight times on 28.04.2006, 08.05.2006, 19.06.2006, 28.07.2006, 28.08.2006, 29.09.2006, 28.10.2006 and 31.01.2007.

Name of the Director	Attendance Particulars			Committee memberships/ Chairmanships in our Company		Number of other Directorships & Committee memberships	
	Board Meetings		Last AGM	Member- ships	Chairman- ships	Director- ships	Member- ships
	Held	Present					
Sri T. Gopi Chand	8	8	Yes	Nil	Nil	1	Nil
Sri N.V .V. Prasad	8	8	Yes	Nil	Nil	1	Nil
Smt. T. Pavana Devi	8	8	Yes	Nil	Nil	1	Nil
Sri T. Bapaiah Choudary	8	8	Yes	1	1	Nil	Nil
Sri K. Rama Rao	8	8	Yes	3	Nil	Nil	Nil
Sri D. Seetharamaiah	8	7	Yes	1	1	6	5
Sri R.S. Bakkannavar	8	6	Yes	Nil	1	1	Nil
Dr. T. Hanuman Chowdary	8	7	Yes	Nil	Nil	2	2
Dr. T.V. Lakshmi	8	8	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. The Board constituted the Audit Committee comprising the following Directors:

- |                         |          |
|-------------------------|----------|
| 1. Sri R.S.Bakkannavar  | Chairman |
| 2. Sri D. Seetharamaiah | Member   |
| 3. Sri K. Rama Rao      | Member   |

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

1. Oversight of the Company's financial reporting process and the disclosure of its financial information.
2. Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
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 adjustments arising out of audit,
  - the going concern assumption,
  - compliance with accounting standards,
  - any related party transactions i.e transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of Company at large.
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 there on.
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 28.04.2006, 27.07.2006, 25.08.2006, 28.10.2006 and 31.01.2007. All the members were present at all the meetings except Sri R.S. Bakkannavar who had not attended two meetings on 27.07.2006 and 25.08.2006.