

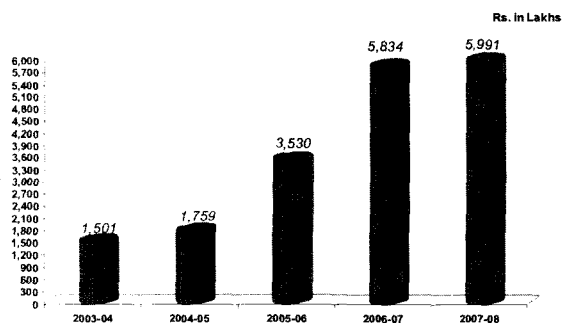


14th ANNUAL REPORT

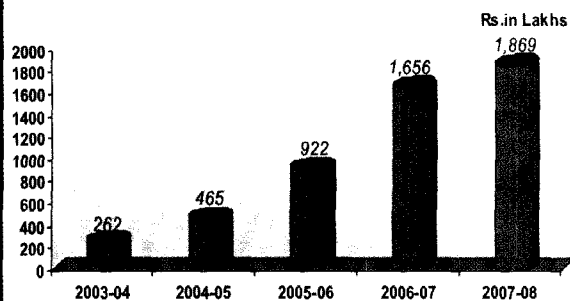
REPORT 2007-2008

TERA SOFTWARE LIMITED

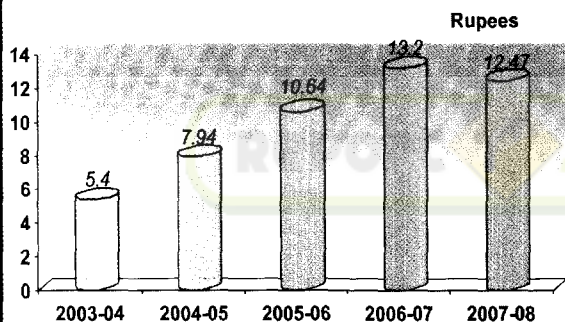
GROSS TURNOVER



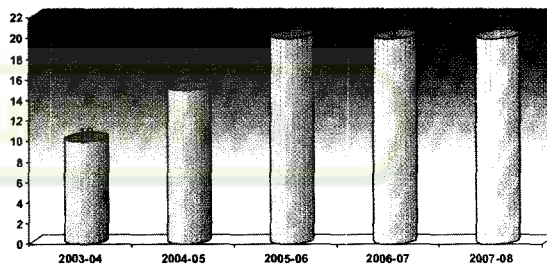
PROFIT BEFORE TAX (PBT)



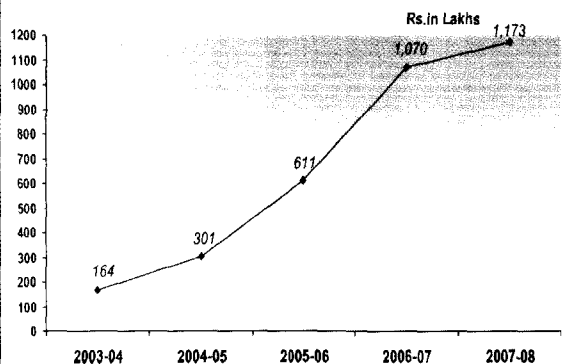
CASH EARNING PER SHARE



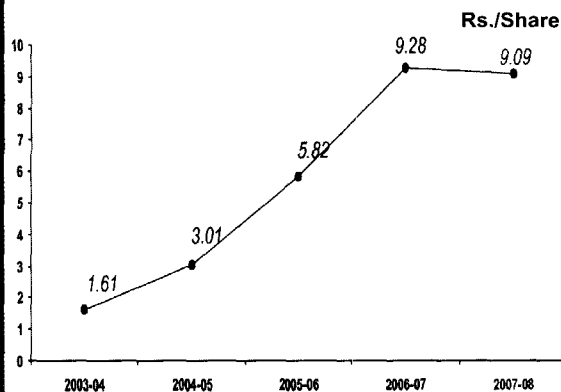
DIVIDEND PER SHARE (%)



NET PROFIT (PAT)



EPS



BOARD OF DIRECTORS:

- | | |
|----------------------------|-------------------------------------|
| 1. Sri D. SEETHARAMAIAH | CHAIRMAN |
| 2. Sri K. RAMA RAO | DIRECTOR |
| 3. Sri T. BAPAIAH 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 | 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 : 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:

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

Tera Software Limited

NOTICE

Notice is hereby given that the Fourteenth 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 Monday, the 29th day of September, 2008 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 2008, 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 Smt. T. Pavana Devi, who retires by rotation and being eligible offers herself for re-appointment.
4. To appoint a Director in place of Sri K. Rama Rao, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Sri D. Seetharamaiah, 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

Place : Hyderabad
Date : 27.08.2008

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, 20th September 2008 to Monday, 29th September 2008 (both days inclusive).
6. Shareholders are requested to bring their copy of Annual Report to the meeting.

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

Serial Number	1	2	3
Name	Smt. T. Pavana Devi	Sri K. Rama Rao	Sri D. Seetharamaiah
Designation	Whole-time Director	Director	Chairman
Age & Date of Birth	46 Years (22.06.62)	60 Years (10.07.1947)	82 Years (22.04.1926)
Qualification	B.Com	B.Tech	Chartered Accountant
Date of Appointment	27.09.2004	27.09.2005	27.09.2005
Nature of expertise in specific functional areas	14 years of experience in Management Functions.	30 + Years Experience in IT industry and worked at all levels viz. PM, PL, Analyst Programmer and Programmer.	Senior Partner of Brahmayya & Co., a leading Chartered Accountants firm in A.P And ex director of APIDC, APSFC and ex chairman of TTD.
Remuneration	Rs.1,352,499/- For the year 07-08 (Salary+Commission)	Rs.70,000/- For the year 07-08 (Sitting Fees)	Rs.61,000/- For the year 07-08 (Sitting Fees)
No. of outside Directorships held	1	1	5
Chairman of the Committee of Board of Directors of the Company	NIL	NIL	(1) Remuneration Committee (2) Management Committee
Member of the Committee of Board of Directors of the Company	NIL	(1) Audit Committee (2) Shareholders' Grievance Committee (3) Remuneration Committee	(1) Audit Committee (2) Investment Committee
Chairman/member of the Committees of other Companies	NIL	NIL	4

By Order of the Board of Directors

Sd/-

(T. Gopi Chand)

Vice Chairman and Managing Director

Place: Hyderabad
Date: 27.08.2008

Tera Software Limited

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Fourteenth Annual Report and the audited accounts of the company for the year ended 31st March 2008 together with Auditors' report thereon.

a) Financial Results:

(Rs. In Lakhs)

PARTICULARS	Year Ended 31.03.2008		Year Ended 31.03.2007	
Gross Income		5990.94		5833.57
Expenditure		3493.86		3557.03
Profit before interest, deprecation & tax		2497.08		2276.54
Less: Interest (Financial Cost)		240.96		169.91
Profit before depreciation & tax		2256.12		2106.63
Less: Depreciation		387.37		450.09
Profit before tax		1868.75		1656.54
Less : Provision for tax				
Current year	766.62		576.89	
Deferred tax	(78.71)		5.59	
Fringe Benefit tax	8.00	695.91	4.00	586.48
Profit after tax		1172.84		1070.06
Add: Balance brought forward from				
Previous Year	524.70		248.78	
Add/(Less): Excess provision of				
Taxation for Earlier years				
Add/(Less): Taxation for earlier years	(36.00)	488.70	(1.38)	247.41
Profit available for distribution		1661.54		1317.47
Less:				
Transferred to General Reserve	500.00		500.00	
Proposed Dividend @ 20%	250.24		250.24	
(Previous Year 20%)				
Tax on distributable profits	42.53	792.77	42.53	792.77
Balance Carried to Balance Sheet		868.77		524.70

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.5990.94 Lakh during the year and earned a net profit after tax of Rs.1172.84 Lakhs. During the year, the Company was successful in getting an order from the State Government of Andhra Pradesh to Computerize and digitization of few of the offices of Inspector General Registration and Stamps Department. The company executed the following orders in various states during the financial year under report.

Tera Software Limited

KAVERI Project in Karnataka State: Scanning of documents and maintenance of database of registration department of Karnataka Government in 23 districts thereby changing the vision to CITIZEN-CENTRIC and re orient itself to serve the citizens of Karnataka with world-class quality service. The process involves digitizing and returning the documents immediately duly registered. This project was on a BOOT (Build Own Operate and Transfer) model and the scope of work is Providing IT infrastructure.

Kerala FAST Project in Kerala State: FULLY AUTOMATED SERVICES of TRANSPORT Department of Government of Kerala on BOMT (Build Own Maintain and Transfer) Model and the scope of work is Site preparation, Establishing 60 RTA offices with IT infrastructure.

MAHAVIKAS - Maharashtra Vikri Kar Seva Project in Maharashtra State (VAT Implementation of Maharastra sales tax department) on BOOR (Build own operate and refresh) Model and the scope of work is Computerization of Sales Tax department in the entire state of Maharashtra.

Imparting computer education in 144 schools in Goa to the pupils of 6th to 10th classes. The Scope of work is to establish the Computer Labs with UPS, Providing the Teaching staff and Maintenance of Systems.

Imparting computer education in 84 schools in Andhra Pradesh to the pupils of 6th to 10th classes on BOOT (Build Own Operate and Transfer model). The scope of work is establishing the Computer Labs with Computers with infrastructure and Providing the Teaching staff and Maintenance of Systems.

Spot Billing and Revenue Management of Bangalore Electricity Supply Corporation of over 6 lakh consumers in 3 districts in Karnataka on BOO (BUILD OWN AND OPERATE) basis. The scope of work is maintenance of software, data Base, and generation of MIS reports.

Spot Billing for West Bengal State Electricity Board: The Scope of work is providing the Spot billing software and Equipment with field manpower to generate the periodic electricity bills.

The Company continues its focus on e-governance projects and was able to procure additionally six new projects of the State Government of Andhra Pradesh, Karnataka, Rajasthan, West Bengal and Himachal Pradesh during the last one year. The performance of the Company is improving and all the above projects are in various phases of implementation and will start generating revenues from the year 2008-09 onwards.

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 Hyderabad Securities And Enterprises Limited formally known as The Hyderabad Stock Exchange Limited and Bangalore Stock Exchange Limited. The listing fee was paid up to date.

e) Fixed Deposits:

The Company has accepted fixed deposits during the year to which the provisions of Section 58A of the Companies Act, 1956 apply. There are no overdue amounts of deposits including the interest thereon as at the end of the year.

f) Directors:

In accordance with the provisions of the Companies Act, 1956, and the Articles of Association of the Company, Smt. T. Pavana Devi, Whole time Director, Sri K Rama Rao, Director and Sri D. Seetharamaiah, Chairman, will be retiring at this annual general meeting and being eligible offer themselves for reappointment.

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	49	01.09.1995	26	3,361,424	Electronics Corporation of India Limited
N V V Prasad	E.D.	B.Tech	48	01.12.1999	25	2,629,854	Taraka Prabhu Publishers Pvt. Ltd.

Tera Software Limited**i) 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 does trading of various kinds of computer items and does not use any energy. The electricity power consumption under LT is minimal. However, the Company installed power efficient transformers and UPS systems to save the power cost; hence 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	5,582,300	5,361,492
Total	5,582,300	5,361,492

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	Nil
Total	Nil	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, 2008 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, 2008 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: 27.08.2008

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:

There are nine directors on the Board comprising a non-executive independent chairman, three whole time promoter directors, one non-executive promoter director, 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 18.04.2007, 31.07.2007, 31.08.2007, 28.09.2007, 31.10.2007 and 30.01.2008.

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	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	Nil	Nil
Sri D. Seetharamaiah	6	6	Yes	1	1	5	4
Sri R.S. Bakkannavar	6	5	Yes	Nil	1	1	Nil
Dr. T. Hanuman Chowdary	6	6	Yes	Nil	Nil	2	Nil
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.

Tera Software Limited**3. Audit Committee:**

- a. There was no change in the constitution of the Audit Committee. The members of the Committee are:
- | | |
|-------------------------|----------|
| 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, 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 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 14.04.2007, 31.07.2007, 30.08.2007, 31.10.2007 and 30.01.2008 respectively and all the members were present at all the meetings.