

SoftPro Systems Limited

Notice of the 17th Annual General Meeting

Notice is hereby given that the 17th Annual General Meeting of the members of SOFTPRO SYSTEMS LIMITED will be held at 12.30AM on Thursday, the 28th August 2008 at the Conference Hall, 5th Floor, SoftPro Heights, Cyberabad, Hyderabad – 500081 (A.P), to transact the following business :

ORDINARY BUSINESS:

1. To receive, consider and adopt the Profit & Loss Account for the year ended March 31, 2008; Balance Sheet as on that date along with the Reports of the Directors' and Auditors' thereon.
2. To declare dividend on Equity Shares for the financial year 2007-08.
3. To appoint M/S. S.R.MOHAN & Co, Chartered Accountants as retiring Auditors who have been appointed in place of Mr.K.Sivaramaiah, Chartered Accountant on account of casual vacancy occurred as a result of later resigning and joining the firm of M/S. S.R.MOHAN & Co, Chartered Accountants. M/S. S.R.MOHAN & Co, Chartered Accountants offer themselves for re-appointment and to hold office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting and authorise the Board of Directors of the Company to fix their remuneration.

SPECIAL BUSINESS:

4. **To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:**

Appointment and fixing of Remuneration payable to Mr. G. Bala Reddy as Managing Director:

“RESOLVED THAT pursuant to provisions of Article No.s 71,72,73 & 74 of Articles of Association of the company and Sections 198, 269,302, 309, 316 & 317 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, including any Statutory modification(s) or enactment(s) thereof, for the time being in force, and subject to such consents and approvals as may be needed, Shri G.Bala Reddy be and is hereby appointed as Managing Director of the company not liable to retire by rotation for a period of three years with effect from 24.07.2008, on honorary basis till such date during his tenure as may be decided by the Board and with liberty to the Board of directors to fix, alter or vary from time to time the terms and conditions of the said appointment including the remuneration in such manner as it may deem fit within the limits in that behalf contained in Schedule XIII of the said Act including any Statutory modifications(s) in force or that may hereinafter be made thereto by the Central Government in that behalf or any amendments thereto as may be agreed by the Board of Directors and Mr. G. Bala Reddy in this behalf:

“RESOLVED FURTHER THAT in the event of any loss or inadequacy of profits in any financial year of the Company during the tenure of Mr. G. Bala Reddy, the remuneration, perquisites and other allowances shall be governed by the limits prescribed in Schedule XIII to the Act.”

5. **To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:**

Appointment and fixing of Remuneration payable to Mr. G. Venkateswara Rao as Executive Director:

“RESOLVED THAT pursuant to provisions Section 198, 269,302, 309, 317 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, including any Statutory modification(s) or

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enactment(s) thereof, for the time being in force, and subject to such consents and approvals as may be needed, Shri G.Venkateswara Rao be and is hereby appointed as Executive Director of the company not liable to retire by rotation for a period of three years with effect from 24.07.2008, on the terms and conditions set out hereunder and with liberty to the Board of directors to alter or vary from time to time the terms and conditions of the said appointment in such manner as it may deem fit within the limits in that behalf contained in Schedule XIII of the said Act including any Statutory modifications(s) in force or that may hereinafter be made thereto by the Central Government in that behalf or any amendments thereto as may be agreed by the Board of Directors and Mr. G. Venkateswara Rao in this behalf:

i. Salary: Rs.62,500/- per month (Rupees Sixty Two Thousand Five Hundred Only)

ii. Perquisites: He is also entitled for the following perquisites:

A. Housing: Rs.25,000/- per month (Rupees Twenty Five Thousand Only)

B. Special Allowance: Rs.37,500/- (Rupees Thirty Seven Thousand Five Hundred Only)

“RESOLVED FURTHER THAT in the event of any loss or inadequacy of profits in any financial year of the Company during the tenure of Mr. G.Venkateswara Rao, the remuneration, perquisites and other allowances shall be governed by the limits prescribed in Schedule XIII to the Act.”

6. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT Smt G.Velangini Mary, who was appointed as an Additional Director at the meeting of the Board of Directors of the company held on 7th April 2008, who holds office upto the date of Annual General meeting of the company, be and is hereby appointed as Director liable to retire by rotation.”

7. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT Smt G.Lalitha, who was appointed as an Additional Director at the meeting of the Board of Directors of the company held on 24th April 2008, who holds office upto the date of Annual General meeting of the company, be and is hereby appointed as Director liable to retire by rotation.”

8. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT Shri V.Shyam Sunder Reddy, who was appointed as an Additional Director at the meeting of the Board of Directors of the company held on 24th April 2008, who holds office upto the date of Annual General meeting of the company, be and is hereby appointed as Director liable to retire by rotation.”

9. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT Shri N.Venkata Reddy, who was appointed as an Additional Director at the meeting of the Board of Directors of the company held on 24th April 2008, who holds office upto the date of Annual General meeting of the company, be and is hereby appointed as Director liable to retire by rotation.”

10. **To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:**

Authorization to Borrow upto Rs.1000 Crores:

“RESOLVED THAT pursuant to the provisions of section 293(1)(d) of the Companies Act, 1956, and other applicable provisions if any, the company hereby accords its consent to the Board of Directors borrowing any sum or sums of money from time to time, from any one or more of the company’s bankers / other banks and/or from any one or more other persons, firms, bodies corporate or financial institutions whether by way of cash credit, advance or deposits, loans or bill discounting or otherwise and whether unsecured or secured by mortgage, charge, hypothecation or lien or pledge of the company’s assets and properties whether movable or stock in trade (including raw materials, stores, spare parts and components in stock or in transit) and work in progress and all or any of the undertakings of the company notwithstanding that the moneys to be borrowed together with money’s already borrowed by the company (apart from temporary loans obtained from the company’s bankers in the ordinary course of the business) will or may exceed the aggregate of the paid up capital of the company and its free reserves, that is to say, reserves not set apart for any specific purpose, but so however that the total amount up to which the money’s may be borrowed by the board of directors and outstanding at any time shall not exceed the sum of **Rs. 1000 Crores (Rupees Thousand Crores)** only exclusive of interest and the directors are hereby further authorized to execute such deeds of debentures and debenture trust deeds or mortgage, charge, hypothecation, lien, promissory notes, deposit receipts and other deeds and instruments or writings as they may think fit and containing such conditions and covenants as the directors may think fit.

11. **To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:**

Authorization to Grant Employee Stock Options upto 1,00,000 options of Rs.10/- each:

“RESOLVED THAT pursuant to the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act 1956, the Memorandum and Articles of Association of the Company and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as “the Board” which term shall be deemed to include any Committee, including the ESOP Compensation Committee which has been / may be constituted to exercise its powers, including the powers, conferred by this resolution), to create, offer, issue and allot at any time to or to the benefit of such person(s) who are in permanent employment of the Company, which includes present and future employees, in India or overseas and any Directors including Executive and Non-Executive Directors but excluding (i) promoter directors and (ii) those directors who hold directly or indirectly more than 10% of the outstanding equity shares of the Company), options exercisable into equity shares being **not more than 1,00,000 options of Rs.10/- each** of the Company under a Scheme titled ‘Employee Stock Option Plan 2008’ (hereinafter referred to as the “ESOP 2008”), in one or more tranches, and on such terms and conditions as may be fixed or determined by the Compensation Committee, for the benefit of the employees, interalia, on the terms and conditions as detailed in the Explanatory Statement, in accordance with the provisions of the law and guidelines issued by the relevant Authority.”

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“RESOLVED FURTHER THAT the Compensation Committee be and is hereby authorised to issue and allot Equity shares upon exercise of such options from time to time in accordance with the ESOP 2008 and such Equity shares shall rank pari-passu in all respects with the then existing Equity Shares of the Company.”

“RESOLVED FURTHER THAT for the purpose of giving effect to any issue or allotment of equity shares, the Board and / or Committee of Board and/or other designated officer(s) of the Company be, and are, hereby authorized on behalf of the Company to do all such acts, deeds, matters and things as it/they may at its / their absolute discretion deem necessary or desirable for such purpose, including without limitation, filing necessary documents / statements with the stock exchanges, statutory authorities and other agencies and such other regulatory authority as may be necessary for listing the securities on the stock exchanges.”

“RESOLVED FURTHER THAT the Board be, and is, hereby authorized to settle all questions, difficulties or doubts that may arise in regard to the issue, offer or allotment of restricted stock units giving rise to shares upon exercise and utilization of the issue proceeds as it may in its absolute discretion deem fit without being required to seek any further consent or approval of the members or otherwise to the end and intent that the members shall be deemed to have given their approval thereto expressly by the authority of these resolutions”.

“RESOLVED FURTHER THAT in case the equity shares of the Company are either sub-divided or consolidated, then the number of shares to be allotted and the price of acquisition of the shares by the aforesaid allottees under the ESOP 2008 shall automatically stand augmented or reduced, as the case may be, in the same proportion as the present face value of Rs. 10/- per equity share bears to the revised face value of the equity shares of the Company after such sub-division or consolidation, without affecting any other rights or obligations of the said allottees.”

“RESOLVED FURTHER THAT for the purpose of giving effect to the resolution, the Board / Compensation Committee set up for the purpose of the said ESOP 2008, be and is hereby authorized to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer, issue, allotment of Options and utilization of proceeds and further to do all such acts, deeds, matters and things and to finalize and executive all documents and writings as may be necessary, proper, desirable or expedient as it may deem fit in conformity with the provisions of the Companies Act, 1956, the Memorandum and Articles of Association of the Company and any other Regulations in force for the time being.”

By the order of the Board of Directors
for SOFTPRO SYSTEMS LIMITED

SD/-

G.BALA REDDY

Chairman & Managing Director

Hyderabad
24th July 2008

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Notes :

1. Explanatory Statement in respect of the special business as required under Section 173(2) of the Companies Act, 1956 is annexed herewith.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member.
3. The proxy form duly completed and signed should be deposited at the registered office of the Company not less than 48 hours before the time of commencement of the Annual General Meeting.
4. Members are requested to bring their copy of the Annual Report while attending the Annual General Meeting.
5. Register of Members and Share Transfer Books of the Company will be closed from 27.08.2008 to 28.08.2008, inclusive of both dates. If the final dividend as recommended by the Board of Directors is approved at the meeting, payment of such dividend will be made as under:
 - a. To all beneficial owners in respect of shares held in electronic form as per the data as may be made available by the National Securities Depository Limited and Central Depository Services (India) Limited as of the close of business hours on 26.08.2008;
 - b. To all members in respect of shares held in physical form after giving effect to valid transfers in respect of transfer requests lodged with the Company on or before the close of business hours on 26.08.2008.
6. Members holding shares in electronic form are hereby informed that bank particulars registered against their respective depository accounts will be used by the Company for payment of the dividend. The Company and its Registrars cannot act on any request received directly from the Members holding shares in electronic form for any change of bank particulars or bank mandates. Such changes are to be advised only to the Depository Participant of the Members.
7. While members holding shares in physical form, may write to the company for any change in their address and bank mandates, members holding shares in electronic form may write to their depository participants for immediate updation so as to enable the company to dispatch dividend warrants to the correct address.
9. Shareholders seeking any information regarding the accounts are requested to write to the company at least two days in advance to enable the management to keep the information ready.

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956:

Item No. 4:

Sahasra Investments Pvt Ltd along with its Persons Acting in Concert made an Open Offer of up to 20% of equity shares of SoftPro Systems in November 2007, subsequent to the acquisition of 24,97,870 fully paid equity shares constituting 41.64% of the paid up capital of the company.

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The formalities for the same were completed by the Merchant Bankers, M/s Ind Global (a subsidiary of E & Y) in the month of March 2008. Post Open Offer, the management has been taken over by Sahasra Investments led by its representatives Mr.G.Bala Reddy and Mrs.G.Velangini Mary.

Mr.G.Bala Reddy was appointed as initially appointed as Additional Director on the 7th April 2008 and as Managing Director at the meeting of Board of Directors held 24.07.2008 for a period of three years w.e.f 24.07.2008.

Mr.G.Bala Reddy will be devoting his services to the organization initially on honorary basis which will be renewed as and when deemed necessary by the Board.

Mr. G. Bala Reddy, Chairman & Managing Director of the Company is the key person to evince interest in taking over the majority stake from the erstwhile promoters to attain a management control of this Organization with his positive vision and values for taking this organization to greater heights.

None of the Directors except Mr.G.Bala Reddy, Mr. G.V.Rao & Mrs.G.V.Mary to the extent of their holding, is either interested or concerned in the said resolution. This may be treated as an abstract of terms under section 302 of the Companies Act, 1956. Your Board of Directors recommend his appointment.

Item No. 5:

Mr.G.V.Rao was initially appointed as Additional Director on 7th April 2008 representing the incoming promoter / management of the company and as an Executive Director at the meeting of Board of Directors held on 24.07.2008 for a period of three years w.e.f 24.07.2008.

Mr.G.V.Rao is an entrepreneur with vast experience in General Management of the companies and your Board feels the availing of his services and his presence in the organization shall entail the organization to achieve higher growth.

It is proposed to fix his Basic Salary as Rs.62,500 with perks as mentioned in item no.5 of the notice.

None of the Directors except Mr.G.Bala Reddy, Mr. G.V.Rao & Mrs.G.V.Mary to the extent of their holding, is either interested or concerned in the said resolution.

This may be treated as an abstract of terms under section 302 of the Companies Act, 1956. Your Board of Directors recommend his appointment.

Item No. 6:

Mrs.G.Velangini Mary was initially appointed as Additional Director on 7th April 2008 representing the incoming promoter / management of the company as per the provisions of Section 260 of the Companies Act 1956 and Article No.55 of Articles of Association of the company to hold office as such till the conclusion of this Annual General Meeting.

The company has received notice in writing along with the deposit from a member as required under section 257 of the Companies act 1956 signifying her intension to propose the appointment of Shri G.Velangini Mary as the director liable to retire by rotation.

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None of the Directors except Mr.G.Bala Reddy, Mr. G.V.Rao & Mrs.G.V.Mary to the extent of their holding, is either interested or concerned in the said resolution.

Your Board of Directors recommend the resolution for your approval

Item No. 7:

Mrs.G.Lalitha was appointed as Additional Director on 24th April 2008 as per the provisions of Section 260 of the Companies Act 1956 and Article No.55 of Articles of Association of the company to hold office as such till the conclusion of this Annual general meeting .

The company has received notice in writing along with the deposit from a member as required under section 257 of the Companies act 1956 signifying her intension to propose the appointment of Mrs.G.Lalitha as the director liable to retire by rotation.

None of the Directors except Mrs.G.Lalitha, is either interested or concerned in the said resolution.

Your Board of Directors recommend the resolution for your approval

Item No. 8:

Mr.V.Shyam Sunder Reddy was appointed as Additional Director on 24th April 2008 as per the provisions of Section 260 of the Companies Act 1956 and Article No.55 of Articles of Association of the company to hold office as such till the conclusion of this Annual general meeting .

The company has received notice in writing along with the deposit from a member as required under section 257 of the Companies act 1956 signifying her intension to propose the appointment of Mr.V.Shyam Sunder Reddy as the director liable to retire by rotation.

Mr.V.Shyam Sunder Reddy is an Industrialist with vast experience in General Management of the companies. He is a Law Graduate and has very good knowledge in Corporate Laws and Business Administration. Your Board feels the availing of his services and his presence in the organization shall entail the organization to achieve higher growth.

None of the Directors except Mrs.V.Shyam Sunder Reddy, is either interested or concerned in the said resolution.

Your Board of Directors recommend the resolution for your approval

Item No. 9:

Mr.N.Venkata Reddy was appointed as Additional Director on 24th April 2008 as per the provisions of Section 260 of the Companies Act 1956 and Article No.55 of Articles of Association of the company to hold office as such till the conclusion of this Annual general meeting .

The company has received notice in writing along with the deposit from a member as required under section 257 of the Companies act 1956 signifying his intension to propose the appointment of Mr.N.Venkata Reddy as the director liable to retire by rotation.

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Mr.N.Venkat Reddy is an Entrepreneur with 18 years of experience in Electrical and Electronics and Software Embedded industry in India and abroad.

None of the Directors except Mr.N.Venkata Reddy, is either interested or concerned in the said resolution.

Your Board of Directors recommend the resolution for your approval

Item No. 10:

Under section 293(1)(d) of the Companies Act 1956 the Board of Directors cannot except with the consent of the company in general meeting borrow any sum or sums of money from time to time, from any one or more of the company's bankers / other banks and/or from any one or more other persons firms, bodies corporate or financial institutions whether by way of cash credit, advance or deposits, loans or bill discounting or otherwise and whether unsecured or secured by mortgage, charge, hypothecation or lien or pledge of the company's assets and properties whether movable or stock in trade(including raw materials, stores, spare parts and components in stock or in transit) and work in progress and all or any of the undertakings of the company notwithstanding that the moneys to be borrowed together with money's already borrowed by the company(apart from temporary loans obtained from the company's bankers in the ordinary course of the business) will or may exceed the aggregate of the paid up capital of the company and its free reserves, that is to say, reserves not set apart for any specific purpose, but so however that the total amount up to which the money's may be borrowed by the board of directors and outstanding at any time shall not exceed the sum of **Rs. 1000 Crores (Rupees Thousand Crores)** It is deemed desirable as a matter of abundant caution also to provide a sufficient margin for such loans to be covered by the borrowing powers of the board.

In the circumstances cited sanction of the shareholders is being taken to enable the directors to borrow money to the extent of Rs. 1000 Crores (Rupees Thousand Crores) to meet the growing fund requirements of the company. The resolution as set out in the Notice is put forth for approval of Members.

None of the directors is interested in the resolution. Your Board of Directors recommend the resolution for your approval

Item No. 11:

To attract, reward, motivate and retain its employees, who have contributed to the success of the Company, the Company proposes to sanction ESOPs to the employees. The details of ESOP Scheme- 2008 are as follows:

Appointment of Merchant Banker for implementation of the Scheme.: M/s CIL Securities Ltd. were appointed as merchant bankers to implement the scheme by the Board in the Board meeting held on 24.07.2008.

The Compensation Committee will administer the ESOP Scheme- 2008 such as:

- Adopt rules and regulations for implementing the Plan from time to time.
- Identify the Employees eligible to participate under the Plan.
- Grant Options to the identified Eligible Employees and determine the date of Grant.
- Determine the number of Options to be granted to each Grantee.
- Decide all other matters that must be determined in connection with an Option under the Plan.

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The salient features of the ESOP Scheme - 2008 as required as per the clause 6.2 of the (SEBI Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 are as given below.

(a) Total number of options to be granted:

Options exercisable into not more than 1,00,000 (One Lakh) Options of Rs. 10/- (Ten) each of the company will be available for being granted to eligible employees of the Company including employees present and future working in India or abroad.

(b) Identification of classes of employees entitled to participate in the ESOP Scheme -2008:

All permanent employees present and future, Executive and Non-Executive Directors (excluding promoter Directors) of the Company as may be decided by the Compensation Committee, from time to time, would be entitled to options under the ESOP Scheme - 2008.

As per the SEBI (Employees Stock Option Scheme & Employees Stock Option Plan) Guidelines 1999 the following are not eligible to participate in the scheme:

- (i) An employee who is a promoter or belongs to the promoter group
- (ii) A Director who either by himself or through his relative or through anybody corporate, directly or indirectly holds more than 10% of the outstanding equity shares of the Company.

(c) Requirements of vesting and period of vesting and maximum period:

The options granted shall vest so long as the employee continues to be in the employment of the Company. Vesting of the options shall take place over a maximum period of 4 years with a minimum vesting period of 1 year from the date of grant. The Options will vest in installment as follows:

- 30% upon the Completion of 1st year from the date of Grant
- 35% upon the Completion of 2nd year from the date of Grant
- 35% upon the Completion of 3rd year from the date of Grant

(d) Exercise Price:

The 'Exercise Price' for conversion of each Option into one Equity share shall be the price, at a discount (as decided and at the discretion of Compensation Committee) of closing market price on the date of the Grant on the Stock Exchange which has recorded the Highest Trading Volume.

(e) Exercise Period and the process of Exercise:

Upon vesting, Options shall be converted into Equity Shares on the written request of the employee and the Options shall be valid and exercisable for a period of six months from the date of vesting or such higher period as may be determined by the Board from time to time.

(f) Appraisal Process for determining the eligibility of the employees to ESOP Scheme 2008:

All permanent employees, present or future employees, including executive and non-executive directors (excluding promoter directors) working in India or abroad, of the company are eligible under this ESOP Scheme-2008.

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- (g) Maximum number of options to be issued per employee and in aggregate:

The maximum number of Options to be allotted in any financial year to each employee shall be decided by the Board of Directors based on merits on case to case basis on the recommendations of the Compensation Committee.

The Options to be allotted to all employees in aggregate shall not exceed 1,00,000 Options under ESOP 2008.

- (h) Method of option valuation:

To calculate the stock based compensation, the Company shall use the Intrinsic Value method for valuation of the options granted. The difference between the employee compensation cost that shall have been recognized if it had used the fair value of the options and the impact of this difference on profits and on EPS of the Company shall be disclosed in the Directors' Report.

- (i) The Company shall conform to the accounting policies specified in clause 13.1 of SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 and its amendments, if any, or such other guidelines as may be issued by SEBI or any other authority in this respect.
- (j) Subject to the approval of the Stock Exchanges, where the shares of the Company are listed, the relevant Equity Shares on conversion of the Options shall rank pari passu in all respects with the existing Equity Shares.
- (k) The employee shall not have right to receive any dividend or to vote or in any manner enjoy the benefits as a shareholder in respect of option granted to him till the shares are issued on exercise of option.
- (l) Consequence of failure to exercise option:

The amount payable by the employee, if any, at the time of grant of option:

- may be forfeited by the company if the option is not exercised by the employee within the exercise period; or
- the amount may be refunded to the employee if the options are not vested due to non-fulfillment of condition relating to vesting of option as per the ESOS.

- (m) Non transferability of option:

Option granted to an employee shall not be transferable to any person. The option granted to the employee shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner. In the event of death of employee while in employment, all the options granted to him till such date shall vest in the legal heirs or nominees of the deceased employee. In the event of resignation or termination of the employee all options not vested as on that day shall expire.

- (n) The Board shall have the powers to make fair and reasonable variations to the terms and conditions in respect of number of Options and the Exercise price, in case of rights issues, bonus issues and other corporate actions.

As the ESOP Scheme - 2008 provides for issue of Options to be offered to persons other than existing employees of the company, consent of the members is sought pursuant to Section 81(1 A) and all other applicable provisions, if any, of the Companies Act, 1956 and as per clause 6 of the SEBI Guidelines.

Your Board of directors recommend the resolution for your approval.

None of the directors is either interested or concerned in this resolution except to the extent of their respective share holdings and for further allotments, if any.

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Additional Information:

Details of Directors seeking appointment/re-appointment at the forthcoming Annual General Meeting (Pursuant to Clause 49 of the Listing Agreement).

| Name of the Director | Date of Birth | Date of appointment/reappointment | Experience in specific areas | Qualifications in other | Directorships companies |
|-----------------------------|----------------------|--|---|--------------------------------|--|
| Mr. G. Bala Reddy | 26-06-1965 | 07.04.2008 | He has more than 17 years experience in administration, finance and software areas. | M.A. | BSN Pharma Limited ICSA (INDIA) Limited BRG Energy Limited PR Cements Limited Sahasra Investments Pvt. Ltd |
| Mr.G.Venkateswara Rao | 12.01.1959 | 07.04.2008 | Mr.G.V.Rao is an Entrepreneur with vast experience in General Management of the companies | B.COM LLB | Nil |
| Mrs.G.Velangini Mary | 14.08.1975 | 07.04.2008 | A science graduate with more than 7 years of experience in General Management and business administration | Bsc | BSN Pharma Limited ICSA (INDIA) Limited BRG Energy Limited Sahasra Investments Pvt. Ltd |
| Mrs.G.Lalitha | 01.06.1967 | 24.04.2008 | She has vast experience in administration, finance and General Management areas. | M.A M.Phil | Nil |
| Mr. V. Shyam Sunder Reddy | 08-08-1966 | 24.04.2008 | He is a Law Graduate and has very good knowledge in Corporate Laws and Business Administration. | B.A., LL.B., | ICSA (INDIA) Limited |
| Mr. N. Venkata Reddy | 10-04-1963 | 24.04.2008 | He has 18 years of experience in Electrical and Electronics and Software Embedded industry in India and abroad. | B.E. (Electricals) | - Nil - |

By the order of the Board of Directors
for SOFTPRO SYSTEMS LIMITED
SD/-

G.BALA REDDY

Chairman & Managing Director

Hyderabad
24th July 2008

SoftPro Systems Limited

Directors' Report

Your Directors have pleasure in presenting the 17th Annual Report together with the Audited Accounts for the financial year ended 31st March 2008.

Financial Highlights :

The Highlights of the financial results for the year 2007-2008 are as below : Rs. in lakhs

| Particulars | Year ended 2007-2008 | Year ended 2006-2007 |
|---------------------------------|-------------------------|-------------------------|
| INCOME: | | |
| - Software & Technical Services | 150.57 | 293.98 |
| - Lease / Rental Income | 306.75 | 237.16 |
| - Other Income | 199.50 | 147.60 |
| TOTAL INCOME: | 656.82 | 678.74 |
| EXPENDITURE: | 378.38 | 614.68 |
| PROFIT BEFORE TAX | 278.44 | 64.06 |
| PROFIT AFTER TAX | 215.91 | 49.36 |

REVIEW OF OPERATIONS

For the financial year ended March 31, 2008, your Company had reported a total income of Rs.6.57 crores as against Rs.6.79 crores during the previous financial year. The company recorded a net profit of Rs.215.91 lacs as against Rs.49.36 lacs representing a growth of 437.42% over previous financial year.

CHANGE OF MANAGEMENT

Sahasra Investments Pvt Ltd along with its Persons Acting in Concert made an Open Offer of up to 20% of equity shares of SoftPro Systems in November 2007, subsequent to the acquisition of 24,97,870 fully paid equity shares constituting 41.64% of the paid up capital of the company. Subsequent of the said Open Offer, 1450 fully paid-up equity shares and 800 partly paid up equity shares were tendered by the general shareholders. The formalities for the same were completed by the Merchant Bankers to the Open Offer M/s Ind Global (a subsidiary of E & Y) in the month of March 2008.

After the acquisition of additional 20 % stake in SoftPro Systems Ltd through an open offer, Sahasra Investments has taken up management of Softpro Systems as decided by the board of directors of SoftPro Systems on Monday, April 7, 2008. The new management for SoftPro Systems is represented by Mr G. Bala Reddy as Chairman and Managing Director, Mrs G. V. Mary, Director and Mr.G.Venkateswara Rao, Executive Director.

DISCLAIMER OF RESPONSIBILITY REGARDING ACCOUNTS

The Balance Sheet and Profit and Loss Account for the year 2007-2008 have been signed by the Incoming Directors of the reconstituted Management formed subsequent to the open offer made by Sahasra Investments private limited. The present Directors do not take any personal responsibility for any transactions arising out of the same and of the said accounts as such, excepting to state that these were prepared based on the books of accounts and papers available and audited by the Statutory Auditors. Signing and presentation of accounts by the new Management will not preclude the erstwhile management from disclaiming any transactions that are found to be irregular or not in the bonafide interests of the company.

SALE OF EQUITY IN ASSOCIATE COMPANY - CALLWORLD TECHNOLOGIES LIMITED AND PURCHASE OF ITS ASSETS:

The Business of Call World started deteriorating and has ended up with a loss of Rs.29 lakhs for the year ended 31st March 2007 and is expected to further step up for the year ended 31st March 2008. Your Board has in best interests of the company arrived at the decision to divest its holding in Call World on account of its mounting up losses and on reference, Velox Estates Private limited, the other equity holder of Call World has evinced interest in the business of Call World and has come forward to take up the equity held by your company in Call World.

The equity holding of your company in Callworld was disposed off to Velox estates Private Limited at a sale consideration of Rs.0.50/- (Rupees Fifty Paise) per share aggregating to Rs.15,27,500/- (Rupees Fifteen Lakhs Twenty Seven Thousand Five Hundred Only).

Further your company has bought the Assets of Call World on "As is where is basis" at a purchase consideration of Rs.42,27,500/-(Rupees Forty Two Lakhs Twenty Seven Thousand Five Hundred Only) arrived at on the basis of the present Asset value of the same after providing for suitable depreciation as per Statutory norms.

MARKET OUTLOOK & FUTURE PLANS

The company is keen to take up embedded solutions in defense industry as there is immense potential in the same. The Company is also keen to tap the business potential arising out of 'offset deals' - the counter trade opportunities that Indian companies get in return for the huge defense contracts bagged by foreign companies. Apart from this, the company will also focus on other outsourcing activities relating to the Power Industry.

DIVIDEND:

Your Board of Directors recommended a Dividend of Rs.1.00 (10%) per Equity Share of Rs.10/- each, for the financial year 2007-2008.

FIXED DEPOSITS:

The company has not invited any Fixed Deposits from the public during the year.

INSURANCE:

The Properties and Assets of the company are adequately insured.

SoftPro Systems Limited

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217 (2AA) as incorporated by the Companies (Amendment) Act, 2000, in the Companies Act, 1956, your Directors confirm:

1. That in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are 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 the profit of the Company for the year under review;
3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That the Directors have prepared the Annual Accounts on a going concern basis.

EMPLOYEE STOCK OPTIONS:

Your company has not granted stock options to any of the Employees as on date of this report.

DIRECTORS:

Mr.G.Bala Reddy was as initially appointed as Additional Director on the 7th April 2008 and as Managing Director at the meeting of Board of Directors held on 24.07.2008 for a period of three years w.e.f 24.07.2008, the approval for the same is placed before the members for approval.

Mr.G.V.Rao was initially appointed as Additional Director on 7th April 2008 representing the incoming promoter / management of the company and as an Executive Director at the meeting of Board of Directors held on 24.07.2008 for a period of three years w.e.f 24.07.2008, the approval for the same is placed before the members for approval.

Mrs.G.Velangini Mary, Mrs.G.Lalitha, Mr.V.Shyam Sunder Reddy & Mr.N.Venkata Reddy who were appointed as Additional Directors to hold office as such till the conclusion of this Annual general meeting are proposed for appointment as the directors liable to retire by rotation.

Your Directors place on record the commendable services provided by all the resigned Directors representing erstwhile Management of the company.

AUDITORS:

Mr.K.Sivaramaiah, Chartered Accountant resigned as the Auditor on account him joining the firm of M/S. S.R.MOHAN & Co, Chartered Accountants. This casual vacancy has been filled up by the Board by appointing M/S. S.R.MOHAN & Co, Chartered Accountants as Auditors appointed in casual vacancy to hold office upto the ensuing Annual General Meeting. M/S. S.R.MOHAN & Co, Chartered Accountants offer themselves for re-appointment and to hold office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting.

EMPLOYEES:

The information required under section 217(2A) of the Companies Act, 1956, and the rules made there under is given in the annexure to this report and which forms part of this report.

LISTING AT STOCK EXCHANGE

The Equity Shares of the Company continue to be listed on Bombay Stock Exchange Ltd. and The National Stock Exchange. The annual listing fees have been paid to these Exchanges.

REPORT ON CORPORATE GOVERNANCE:

Your Company has been practicing the principles of good corporate governance over the years and it is a continuous and ongoing process. A detailed report on Corporate Governance is given as Annexure 'A' to this Report. Report on Corporate Governance including Auditor's Certificate on Compliance with the code of Corporate Governance under Clause 49 of the Listing Agreement is enclosed as Annexure to this report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

Information as required to be furnished under the provisions of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are as hereunder:

Conservation of Energy:

The company uses electric energy for air conditioning, computer terminals. Lightning and utilities etc in the work premises. All possible measures such as centralized Air conditioning with imported chillers, energy efficient lightning systems etc, have been taken to conserve energy

The Company has in place the internal control procedures by which the cost of the electricity shall be identified with the project and thereby there will be an incentive for the concerned Department to consume optimum power.

Additional Investment & Proposals for Reduction of Consumption of Energy: Nil.

Total Energy Consumption requirement: Not applicable, as the Company is not engaged in any of the specified industries specified in Schedule 1 to the Companies (Disclosures of Particulars in the Report of the Board of Directors) Rules 1988.

Research and Development:

The Company is committed to continue its efforts in Research and Development. Our Research and Development activities will help us gear for future opportunities. We invest and encourage continuous Innovation.

Technology Absorption, Adoption and Innovation:

The company being a knowledge based entity, continuously adapts itself to changing technologies so as to adhere to the quality policy and to meet its client's expectations.

Foreign Exchange Earnings and outgo

| | |
|------------------------------|------------------|
| a. Foreign Exchange Earnings | : Rs.43.50 lakhs |
| b. Foreign Exchange Outgo | : Rs.8.19 lakhs |

SoftPro Systems Limited

ACKNOWLEDGEMENTS:

Your Directors thank all investors, customers, vendors, banks, and service providers as well as regulatory and government authorities and the erstwhile Management for their support. Your Directors greatly appreciate and thank the significant contributions of Employees in the initiatives of the Company.

By the order of the Board of Directors
for SOFTPRO SYSTEMS LIMITED

SD/-

G.BALA REDDY

Chairman & Managing Director

Hyderabad
24th July 2008

Annexure to Directors' Report:

Information as per section 217(2A) of the Companies Act, 1956 read with the companies (Particulars of employees) Rules 1975 as amended and forming part of the Directors Report for the year ended 31st March, 2008:

| S. No. | Name of the Employee & Age | Designation & Nature of Duties | Qualification and Experience | Date of Commencement of employment | Last employment held | Remuneration |
|--------|----------------------------|--------------------------------|---|------------------------------------|-------------------------------|--------------|
| 1 | Hemachandra Kavuri | Chief Executive Officer | B.Tech (IIT Madras), MBA – British School of Management, UK Experience of over 27 years in Information technology | 01.07.2006 till 15.10.2007 | Avineon India Private Limited | 18,84,135/- |

Annexure 'A' to the Directors' Report

Corporate Governance

The Board of Directors of the Company supports the broad principles of corporate governance. Your company has been practicing the principles of good corporate Governance over the years.

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company's Philosophy on Corporate Governance lays strong emphasis on transparency, accountability and integrity. At SOFTPRO, all senior management employees are guided by a code of conduct, which sets forth Company's policies on important issues, including relationship with our customers, shareholders and Government. Global capital investors feel comfortable in an environment where the bed rocks of Corporate Governance is best protected and practiced and bypasses where Corporate Governance is limited or not followed. Companies stand to gain by adopting systems that bolster Stake holder's trust through transparency, accountability and fairness.

2. BOARD OF DIRECTORS

Composition:

The Board of Directors has combination of Executive and Non-Executive Directors. The Board consisting of Two Executive and Four Non-Executive Directors as on the date of this report. Out of them Three are Independent Directors and the composition of the Board is in conformity with the Listing Agreement.

| Name of the Director | Category of Director | Designation |
|-----------------------------|-------------------------------|--------------------------------|
| Mr. G. Bala Reddy | Promoter & Executive | Chairman-cum-Managing Director |
| Mr.G.Venkateswara Rao | Executive | Executive Director |
| Mrs.G.Velangini Mary | Promoter Non Executive | Director |
| Ms. G. Lalitha | Independent and Non-Executive | Director |
| Mr. N. Venkata Reddy | Independent and Non-Executive | Director |
| Mr. V. Shyam Sunder Reddy | Independent and Non-Executive | Director |

The details of Board of Directors as on 31.03.2008, i.e., before the change of management is given below:

| Name of the Director | Category of Director | Designation |
|-----------------------------|-------------------------------|--------------------|
| Mr.Krishnachand Akkineni | Promoter & Executive | Managing Director |
| Mr.A.Mallikarjuna rao | Promoter & Executive | Executive Director |
| Dr.A.Giridhar rao | Independent and Non-Executive | Director |
| Mr.A.P.Rao | Independent and Non-Executive | Director |
| Dr.D.Hanumanta rao | Independent and Non-Executive | Director |

SoftPro Systems Limited

Meetings & Attendance:

Attendance of each Director at Board Meetings during the year ended 31st March 2008 and at the Last Annual General Meeting:

| Name of Director | No. of Meetings held | No. of Meeting attended | Attendance at last AGM | No. of other companies | | |
|-------------------------|----------------------|-------------------------|------------------------|--------------------------------|------------------------|-------------------------|
| | | | | Directorships as on 31.03.2008 | Committee member-ships | committee chairmanships |
| Mr.Krsinachand Akkineni | 6 | 2 | YES | NIL | NIL | NIL |
| Mr.A.Mallikarjuna rao | 6 | 6 | YES | 1 | 1 | NIL |
| Dr.A.Giridhar rao | 6 | 4 | YES | NIL | NIL | NIL |
| Mr.A.P.Rao | 6 | 6 | YES | 2 | 1 | NIL |
| Dr.D.Hanumanta rao | 6 | 5 | NO | NIL | NIL | NIL |

All the above directors resigned on 07.04.2008 subsequent to the change of Management on account of open offer made by Sahasra Investment private Limited.

No of other BoD or Board Committees in which he/she is a Member or Chairperson:

| Name of Director | Committees | | |
|--------------------|------------|--------------|--------------|
| | Audit | Remuneration | Shareholders |
| Mr.A.P.Rao | Chairman | Chairman | Chairman |
| Dr.A.G.Rao | Member | Member | Member |
| Dr.D.Hanumanta Rao | Member | Member | Member |

Number of Board of Directors Meetings and dates on which held

| S.No | Date | S.No | Date |
|------|------------|------|------------|
| 1 | 21.04.2007 | 2 | 28.06.2007 |
| 3 | 26.07.2007 | 4 | 20.09.2007 |
| 5 | 27.10.2007 | 6 | 31.01.2008 |

SoftPro Systems Limited

Board Meeting Procedures

The draft agenda papers along with all relevant information to be discussed at the upcoming Board meeting is sent to the Directors wherever possible, at least two weeks prior to the Board meeting to invite the suggestions from each Board member for their views and for the inclusion of items on the agenda if any. Relevant materials to be considered at the meeting are circulated to the Board before the Board meeting.

Information supplied to the Board

The Board of Directors of SOFTPRO SYSTEMS LIMITED are presented with various issues affecting the business and environment whenever applicable and materially significant. The Board is also given presentations covering Finance, Sales, Compliance and Marketing covering all the major business operations and segments of the Company at each of the scheduled Board meetings. The Processes for Board and Committee meetings facilitate an effective post meeting follow-up, review and reporting process for the decisions taken by the Board of Directors.

Directors' membership in board/committees of other companies

As per the Listing Agreement, no Director can be a member in more than 10 committees or act as chairman of more than five committees across all companies in which he is a Director. In terms of the Listing Agreement, none of the Directors of our Company were members in more than 10 committees nor acted as chairman of more than five committees across all companies in which they were Directors.

Shareholdings of Directors as on 31.03.2008:

| Sl.No. | Name of the Director | Number of shares held |
|---------------|------------------------------|------------------------------|
| 1 | Mr.Krishnachand Akkineni | 80599 |
| 2 | Mr.Akkineni Mallikarjuna Rao | 120698 |
| 3 | Dr.D.Hanumanta Rao | 25918 |

3. COMMITTEES OF THE BOARD

A. Audit Committee:

The terms of reference, composition and meetings of Audit Committee are described as hereunder:

- i. Brief description of terms of reference
- ii. Composition, name of members and Chairperson
- iii. Meetings and attendance during the year

SoftPro Systems Limited

I. Brief description of the terms of reference of the Audit Committee

The Audit Committee reviews, acts and reports to the Board of Directors with respect to:

- Auditing and accounting matters, including the appointment of independent auditors;
- Company compliance with legal and statutory requirements;
- Integrity of the Company's financial statements, the scope of the annual audits, and fees to be paid to the independent auditors;
- Performance of the Company's Internal audit function, Independent Auditors and accounting practices and other matters as may be required in accordance with the rules and regulation of the Exchanges from time to time.

Though the financial results are sent to the Audit Committee and the Board at the same time, the Audit Committee reviews the audited quarterly, half-yearly and yearly financial results with the management before submitting them to the Board for its consideration and approval. The Chairman of the Audit Committee is present at the Annual General Meeting.

ii. Composition & Qualifications

The Audit Committee comprises of the following three independent non-executive Directors as on 31.03.2008.

Mr.A.P.Rao – Chairman

Dr.A.G.Rao – Member

Dr.D.Hanumanta Rao - Member

None of the members receive, directly or indirectly, any consulting, advisory or compensatory fees from the Company other than their remuneration as a Director.

iii. Meetings and attendance during the year

The Audit Committee met four times during the financial year 2007-08 as mentioned below:

| S.No | Date | Committee Strength | No. of members present |
|-------------|-------------|---------------------------|-------------------------------|
| 1 | 28.06.2007 | 3 | 3 |
| 2 | 26.07.2007 | 3 | 3 |
| 3 | 27.10.2007 | 3 | 3 |
| 4 | 31.01.2008 | 3 | 3 |

SoftPro Systems Limited

Attendance at Audit Committee Meetings during the financial year:

| Name of Director | No. of meetings attended |
|-----------------------------|---------------------------------|
| Mr.A.P.Rao – Chairman | 4 |
| Dr.A.G.Rao – Member | 4 |
| Dr.D.Hanumanta Rao – Member | 4 |

B. Remuneration Committee:

The terms of reference, composition and meetings of Remuneration Committee are described as hereunder:

- i. Brief description of terms of reference
- ii. Composition, name of members and Chairperson
- iii. Attendance during the year
- iv. Remuneration policy
- v. Details of remuneration to all the Directors, as per format in main report.

i. Brief description of terms of reference of Remuneration & Compensation Committee:

The brief Terms of Reference of the Committee is as follows:

- To determine salaries, benefits and stock option grants to Employees and Directors of your Company.
- Develop and recommend, to the Board, Corporate Governance Guidelines applicable to the Company
- Implement policies and processes relating to Corporate Governance Principles

ii. Composition

The Remuneration & Compensation Committee comprise of the following three independent non-executive members of the Board.

Dr.A.G.Rao – Chairman

Mr.A.P.Rao – Member

Dr.D.Hanumanta Rao - Member

SoftPro Systems Limited

iii. Meetings and attendance during the year

The Remuneration Committee met once in the year and all members were present.

iv. Remuneration Policy and Criteria of making payments to Executive and Non-Executive Directors

Executive Directors:

Executive Directors are paid remuneration within the limits envisaged under Schedule XIII of the Companies Act, 1956. The remuneration payable is recommended by the Remuneration and Compensation Committee to the Board and is approved by the Board as well as the Shareholders of the Company.

Non-Executive Director

Non-Executive Independent Directors are reimbursed the actual expenses incurred for attending meetings. During the year no sitting fee / other remunerations paid to the non-executive Directors

v. Details of Remuneration to all Directors

The details of remuneration paid / payable for the financial year 2007-08 to the Directors of the Company are as follows:

| Name of the Director | Relationship with other Directors | Salary / Remuneration | Commission |
|-----------------------------|---|------------------------------|-------------------|
| Mr.A.Krishna Chand | Promoter & Managing Director (Son of Mr.A.Mallikarjuna Rao – Executive Director | 13,12,500/- | — |
| Mr.A.Mallikarjuna Rao | Promoter & Executive Director | 16,60,500/- | — |

C. Shareholders & Investors Grievance Committee:

Brief description of the terms of reference

The Shareholders & Investors Grievance administers mainly the following:

- Transfer of shares
- Transmission of shares
- Issuance of duplicate share certificates as and when required with approval of the Board
- Shareholders / Investors Grievance issues from time to time and redress the same

SoftPro Systems Limited

The composition of Non-executive Directors managing the committee and other details are described as hereunder:

The composition of the Shareholders'/Investors' Grievances is as follows :

Dr.A.G.Rao – Chairman

Dr.D.Hanumanta Rao

Mr.A.Mallikarjuna Rao

Name and designation of compliance officer as on 31.03.2008:

Mr.A.Mallikarjuna Rao – Executive Director

4. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report as required under Clause 49(IV)(F) is given as Annexure, to this Report.

5. CEO / CMDs' DECLARATION

Pursuant to the provisions of Clause 49(I)(D)(ii) of the Listing Agreement, the declaration by the Managing Director of the Company declaring that all the members of the Board and the Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct of the Company, is set out as an Annexure, to this Report.

6. CEO/ CFO CERTIFICATION

As required under Clause 49 of the Listing Agreement with the Stock Exchanges, the Managing Director and Executive Director have certified to the Board the financial statements for the year ended 31st March, 2008 is set out as an Annexure, to this Report.

7. GENERAL BODY MEETINGS

General Information pertaining to last three years Annual General Meetings is as follows:

SoftPro Systems Limited

i. Location and time where last three Annual General Meetings were held are given below:

| Day, Date and Time of AGM | Location | No. of Special Resolutions passed | Resolutions requiring Postal Ballot | Postal Ballot procedure |
|---------------------------------------|--|---|--|--------------------------------|
| Thursday, 20.09.2007 at 10:30AM | Plot No.12, Softpro heights, Software Units layout, Cyberabad, Hyderabad - 500081 | NIL | NIL | NIL |
| Saturday, 23.09.2006 at 4:00PM | Plot No.12, Softpro heights, Software Units layout, Cyberabad, Hyderabad - 500081 | 1 Appointment of Managing Director | NIL | NIL |
| Wednesday, 28.09.2005 at 3:00PM | Plot No.12, Softpro heights, Software Units layout, Cyberabad, Hyderabad - 500081 | 2 Approval for issuance of Stock options to the employees of Softpro and its subsidiary company | NIL | NIL |

8. DISCLOSURES

i. Related Party Transactions

The details of related party transactions during the year under review are shown in notes to accounts which form part of this report.

ii. Compliances by the Company

During the last three years, no penalties or strictures have been imposed on the Company by the Stock Exchanges or SEBI or any other statutory authorities on matters related to capital markets.

iii. Details of compliance with mandatory requirements and adoption of the non-mandatory requirements of this clause

Your Company has complied with all the mandatory requirements of the Clause 49 of the Listing Agreement. The details of these compliances have been given in the relevant sections of this Report.

9. MEANS OF COMMUNICATION

The Company regularly intimates unaudited, as well as audited financial results to the Stock Exchanges immediately after these are taken on record by the Board. These financial results are published in the Newspapers and are also on the website of the Company www.softprosys.com. The official news releases are also displayed on the Company's website.

10 GENERAL SHAREHOLDER INFORMATION

The requirement of general shareholders information is described as hereunder:

i. Annual General Meeting

Day, Date and Time 12.30AM on Thursday, the 28th August 2008

Venue At the Conference Hall, 5th Floor, SoftPro Heights,
Cyberabad, Hyderabad – 500081 (A.P),

ii. Financial Calendar

The company follows April-March as its financial year. The results for every quarter beginning from April are declared in the month following the relevant quarter.

iii. Date of Book Closure : from 27.08.2008 to 28.08.2008**(both days inclusive)**

iv. Listing on Stock Exchanges & Stock Code

| S.No | Listing on Stock Exchanges with Stock Code | Stock Code |
|------|--|------------|
| 1 | Bombay Stock Exchange Limited | 532332 |
| 2 | National Stock Exchange Limited | SOFTPRO |

v. Listing Fee: The Company has paid the Listing Fee for the years 2007-2008 & 2008-09 to BSE & NSE

vi. Annual Custodial Charges to Depositories: The Company has paid Annual Custodial Charges for the years 2007-2008 & 2008-09 to National Securities Depository Limited and Central Depository Services (India) Limited.

SoftPro Systems Limited

vii. Market Price Data and performance in comparison to BSE Sensex:

High/Low during each month of the financial year:

| Month | BSE Price | | No. of Shares traded |
|----------------|------------|-----------|----------------------|
| | High (Rs.) | Low (Rs.) | |
| April 2007 | 55.90 | 48.70 | 18428 |
| May 2007 | 50.00 | 40.75 | 15137 |
| June 2007 | 52.00 | 41.50 | 18805 |
| July 2007 | 58.50 | 45.80 | 74052 |
| August 2007 | 63.25 | 41.10 | 95413 |
| September 2007 | 114.20 | 60.50 | 241247 |
| October 2007 | 153.25 | 115.00 | 445049 |
| November 2007 | 189.90 | 147.00 | 3592724 |
| December 2007 | 205.35 | 167.00 | 168354 |
| January 2008 | 278.65 | 191.85 | 113455 |
| February 2008 | 238.65 | 174.00 | 39293 |
| March 2008 | 200.60 | 139.00 | 92401 |

ix. Registrar & Share transfer Agent Address

Venture capital and corporate investments Ltd
12-10-167, Bharatnagar, Hyderabad - 500 018

x. Transfer system

The share transfers are affected twice in every month and dispatched to the respective holders.

xi. Distribution of Shareholding as on 31.03.2008:

| No. of Shares | | No. of Holders | % of Holders | No. of Shares | % of Shares |
|------------------|--------|----------------|--------------|---------------|-------------|
| From | To | | | | |
| 1 | 5000 | 2968 | 97.31 | 666698 | 11.11 |
| 5001 | 10000 | 38 | 1.25 | 288671 | 4.81 |
| 1,0001 | 20000 | 13 | 0.43 | 192551 | 3.21 |
| 20001 | 30000 | 9 | 0.30 | 222402 | 3.71 |
| 30001 | 40000 | 3 | 0.10 | 68980 | 1.15 |
| 40001 | 50000 | 3 | 0.10 | 136248 | 2.27 |
| 50001 | 100000 | 10 | 0.33 | 652829 | 10.88 |
| 100001 and above | | 6 | 0.20 | 3771621 | 62.86 |
| Total | | 3050 | 100.00 | 60,00,000 | 100.00 |

SoftPro Systems Limited

Xii Shareholding Pattern as on 31.03.2008:

| S.No. | Category | No. of shares held | Percent of Shareholding |
|--------------|--|---------------------------|--------------------------------|
| 1 | Indian Promoters Persons acting in concert | 321697 | 5.36 |
| | Sub –total | 321697 | 5.36 |
| 2 | Non-Promoter’s Holding Institutional Investors: Mutual Funds and UTI, Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions/ Non-government Institutions), | 0 | 0 |
| | FII’s | 0 | 0 |
| | Sub -Total | 0 | 0 |
| 3 | Others | | |
| | Private Corporate Bodies | 3483242 | 58.05 |
| | Indian public | 2190143 | 36.51 |
| | NRIs/OCBS | 4918 | 0.08 |
| | any other | 0 | 0 |
| | Sub-Total | 5678303 | 94.64 |
| | Grand Total | 6000000 | 100.00 |

xiii Dematerialisation of shares and liquidity

The shares of the Company are in compulsory demat segment and are available for trading in the depository systems of both NSDL and CDSL. As on March, 2008, 98.71% of the Equity Share Capital of the Company, stand dematerialized.

Demat ISIN No. for NSDL and CDSL for Equity Shares – INE117B01012.

xiv. Outstanding GDRs/ADRs/Warrants or any Convertible instrument, conversion date and likely impact on equity:

The Company has not issued any GDRs/ADRs.

By the order of the Board of Directors
for SOFTPRO SYSTEMS LIMITED

SD/-

G.BALA REDDY

Chairman & Managing Director

Hyderabad
24th July 2008

SoftPro Systems Limited

Annexure to Corporate Governance Report

Declaration under Clause 49 of the Listing Agreement regarding adherence to the Code of Conduct

I, G. Bala Reddy, Chairman & Managing Director of the Company, hereby declare that the Board of Directors has laid down a Code of Conduct for its Board Members and Senior Management Personnel of the Company and the Board Members and Senior Management Personnel have affirmed compliance with the said code of Conduct.

By the order of the Board of Directors
for SOFTPRO SYSTEMS LIMITED

SD/-

G.BALA REDDY

Chairman & Managing Director

Hyderabad
24th July 2008

Annexure to Corporate Governance Report

Certification by CMD & ED of the Company

To the Board of Directors of SOFTPRO SYSTEMS Limited,

We, G. Bala Reddy, CMD and G.Venkateswara Rao, Executive Director, certify that:

- (a) We have reviewed financial statements and the cash flow statement for the year ended March 31, 2008, and that to the best of our knowledge and belief:
 - (i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.
- (b) 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.
- (c) We accept responsibility for establishing and maintaining internal controls for financial reporting and have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- (d) We have indicated to the Auditors and the Audit Committee that:
 - (i) There has not been any significant changes in internal control over financial reporting during the year under reference;
 - (ii) There has not been any significant changes in accounting policies during the year requiring disclosure in the notes to the financial statements; and
 - (iii) there has not been any instances during the year of significant fraud of which we had 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 over financial reporting.

Hyderabad
24th July 2008

G. BALA REDDY
Chairman & Managing Director

G.VENKATESWARA RAO
Executive Director

Annexure to Corporate Governance Report

Management Discussion and Analysis

Disclaimer

The contents stated within this report may be futuristic in nature and may draw the attention of risks and uncertainties. The company would not have full control on risks associated with the new products, services and competitors' positioning.

The following discussion and analysis should be interpreted in line with our other statements included herein and the notes thereto.

Evolving Trends

The change in management has brought in new ideas capturing the trend in the industry.

The company made substantial progress by offering multiple development and implementation level services to various industry verticals ranging from financial services to manufacturing globally. This rich experience has given the company a thorough insight on the transformation in business needs across industries. The company has been experiencing increase in enquiries on process optimization software's that help them streamline the operations, create transparency and increase efficiencies.

In the background of mainstream businesses undergoing process optimization through technology infusion, a new and sustainable business opportunity is seen evolving. Studies say that the IT spend is set to increase 4 fold by the next 3 years globally. The medium to large enterprise segment is gearing up towards a huge IT spend specially in implementing enterprise level software's to support their ambitious growth plans. The trend is towards integrating "enterprise resource planning" "process optimization", "business risk assessment" and "compliance". Observably, the generic services sector is increasingly becoming a commodity which has low entry barriers that is resulting into a low margin game.

Company Plans

To capture this new opportunity the company is gearing up to offer new applications that add immense value to the enterprises. The company plans to transform from a services based business model to that being product based. For the transformation to be successful the company intends to partner or acquire products than to begin development.

Therefore the company plans to partner or acquire

- a) A leading ERP product
- b) A well evolved Process Management Product
- c) A comprehensive Risk and Governance product

This integrated offering will be first of its kind in the industry that help command higher margins and sets the company apart from the competition.

The geographic focus for the company to sell its products and services would be in India and US, while Europe is still a year behind in the trend. However, Countries like India are large markets and deployment would only become an experience that can be leveraged while developing other Asian countries.

Resource Development

With the new management team setting in a core group of professionals to champion these efforts would be set up to strategize and implement the roadmap. This core group will consist of experienced manpower in the businesses processes, risk management, resource planning, Implementation and integration.

Aggressive planning and implementation is planned to regroup and set up infrastructure to support the development and deployment of these products. The business development team is also being strengthened by attracting talent and experience from various industry verticals.

SoftPro Systems Limited

Products Development

The company plans to develop domain specific applications to cater to different industries like

- a) Power
- b) Oil & Gas
- c) Telecom
- d) Financial services
- e) Insurance
- f) BPO etc.

Various sales and implementation partnerships are also being planned to suit the deployment in specific domains.

Risks and concerns

Any Government policy to intervene or any change in the software sector benefits and unforeseen adverse market conditions are issues of concern and may put pressure on the performance of the Company.

Risk management

The company follows a set framework in identifying risks and acting upon the same. Risks involved in each project is identified by the respective project managers and informed accordingly to the Senior Managers at the review meetings held every month. The same is evaluated and brought to the notice of the Chairman and the Board of Directors. The Board of Directors are responsible for addressing the risk levels and the Audit Committee, providing the overall directors in the risk management policies to be followed by the Company. The Board of Directors are also responsible for putting in place the required checks and balances whereas the Executive Management handles the implementation of risk mitigation measures. Proactive risk management is facilitated by formal reporting and control mechanism, which ensure timely availability of information.

The Financial Risks, Business Portfolio Risks, Internal Process Risks, Legal and Statutory Risks, Political Risks, Competition Risks, Macro Economic Risks are the risks, which the management believes form a part of Company's business and try to address the same through corporate actions.

Internal control systems and their adequacy

The philosophy we have with regard to internal control system and their adequacy has been formulation of effective systems and their strict implementation to ensure that assets and interests of the Company are safeguarded. The internal audit, an independent appraisal function to examine and evaluate the adequacy and effectiveness of the internal control system, appraises periodically about activities and audit findings to the audit committee, statutory auditors and the top management.

Policies and Process Development

The changing business model requires enhancements in the existing policies to accommodate the plans. These policies foster empowerment and innovation throughout the organization at all levels. A sustainable learning / development program is being planned to keep the employees always on the learning mode.

Similarly, the company plans to put up a process oriented approach to serve the customer so that tracking, monitoring and servicing them will be best in the industry and ensures customer satisfaction.

By the order of the Board of Directors
for SOFTPRO SYSTEMS LIMITED
SD/-

G.BALA REDDY

Chairman & Managing Director

Hyderabad
24th July 2008

SoftPro Systems Limited

Auditors' Report

To the Share Holders of SoftPro Systems Ltd,

We have audited the attached Balance Sheet of **SOFTPRO SYSTEMS LIMITED**, as at 31st March, 2008, the Profit and Loss Account and cash flow statement of the company 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.

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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We report that:

- (1) 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;
- (2) In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books.
- (3) The Balance Sheet, Profit and Loss Account and the cash flow statement dealt with by this report are in agreement with the books of accounts.
- (4) In our opinion, the Balance Sheet, Profit and Loss Account and the cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956:
- (5) On the basis of written representations received from the directors of the Company, as at 31st March, 2008, and taken on record by the board of directors, We report that none of the directors are disqualified as on March 31, 2008 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- (6) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information as 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, 2008 and
 - (b) In the case of the Profit & Loss Account of the profit for the year ended on that date.
 - (c) In the case of the cash flow statement of the cash flows of the company for the year ended on that date.
- (7) As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, We enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

For S.R.Mohan & Co.,
Chartered Accountants

Hyderabad
24th July 2008

(K.SIVARAMAIAH)
Partner. M.No.21870

Annexure Referred to in Para 7 of Auditors' Report of Even Date :

- i) a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- b) As explained to us all the fixed assets of the company have been physically verified by the management in a phased periodical manner which in our opinion is reasonable having regard to the size and nature of the assets of the company and no material discrepancies were noticed on such physical verification.
- c) No substantial part of the fixed assets have been disposed off during the year.
- ii) a) The Company has no inventory other than software.
- iii) a) The Company has neither granted nor taken any loans secured or unsecured to/from companies, firms or other parties covered in the register maintained Under Section 301 of the Companies Act, 1956.
- iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to the purchase of fixed assets and the sale of services. The activities of the Company do not involve purchase of inventory and sale of goods. During the course of our audit we have not observed any continuing failure to correct major weaknesses in internal control system.
- v) a) In our opinion and according to the explanations given to me there are no contracts and arrangements the particulars of which need to be entered into the register maintained under section 301 of the Companies Act, 1956.
- vi) The Company has not accepted any deposits from the public and consequently the provisions of Section 58A, 58AA of the Companies Act, 1956 and the rules made there under are not applicable.
- vii) In our opinion the Company has an internal audit system, considering the size and nature of its business the system need to be strengthened.
- Viii) According to the information and explanations given to me, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 in respect of services carried out by the Company.
- ix) a) The Company is regular in depositing the undisputed statutory dues including provident fund, investor education fund, employees state insurance, income tax, sales tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of Income-tax, wealth tax, service tax, sales tax, customs duty and excise duty were outstanding, at the year end for a period of more than six months from the date they become payable.
- b) In our opinion and according to the information and explanations given to us, there are no disputes relating to dues of Sales Tax, Income Tax, Service Tax, Customs Duty, Wealth Tax, Excise Duty, Cess, except income tax appeal for Asst. Year 2004-05 filed by the department before Income Tax Appellate Tribunal for an amount of Rs. 6,54,680/-

SoftPro Systems Limited

- x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the financial year immediately preceding such financial year.
- xi) In our opinion and as per the information and explanations given to us the company has not defaulted in repayment of dues to financial institution, banks and debenture holders.
- xii) In our opinion and as per the information and explanations given to us the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- Xiii) In our opinion and as per the information and explanations given to us the company has not given any guarantee for loans taken by others.
- Xiv) In our opinion and as per the information and explanations given to us the term loans were applied for the purpose for which the loan were obtained.
- Xv) In our opinion and as per the information and explanations given to us there are no transactions of funds raised on short term basis have been used for long term investment.
- Xvi) In our opinion and as per the information and explanations given to us the company has not made any preferential allotment of shares.
- Xvii) As per the information and explanations given to us the company has not issued any debentures.
- Xviii) The Company has not raised any money by public issue during the year.
- Xix) In our opinion and as per the information and explanations given to us the company has not noticed or reported any fraud during the year.

The provisions of clause (xiii), (xiv) of Para 4 of Companies (Auditors Report) Order, 2003 are not applicable to this company.

For S.R.Mohan & Co.,
Chartered Accountants

Hyderabad
24th July 2008

(K.SIVARAMAIAH)
Partner. M.No.21870

SoftPro Systems Limited

Balance Sheet as at 31st March, 2008

| | Sch. | As at March 31, 2008 Rs. | | As at March 31, 2007 Rs. | |
|---|------|--------------------------------|--------------------|--------------------------------|--------------------|
| I SOURCES OF FUNDS | | | | | |
| Share holder's Funds: | | | | | |
| a. Share Capital | | | | | |
| Issued, Subscribed and Paid up Capital | I | | 59,995,250 | | 59,995,250 |
| b. Reserves and Surplus | II | | 162,233,735 | | 146,642,646 |
| Loan funds: | | | | | |
| a. Secured loans | III | | 16,755,291 | | 30,484,939 |
| b. Unsecured Loans | | | 0 | | 0 |
| Total : | | | 238,984,276 | | 237,122,835 |
| II APPLICATION OF FUNDS: | | | | | |
| Fixed Assets: | | | | | |
| Gross Block | V | 191,579,890 | | 191,672,674 | |
| Less. Provision for Depreciation | | 44,511,837 | | 38,693,406 | |
| Net Block | | | 147,068,053 | | 152,979,268 |
| Building Workin Progress at Vizag | | | 14,535,925 | | 1,793,515 |
| Investments | IV | | 21,957,700 | | 21,957,700 |
| Deferred Tax Asset | | | 0 | | 0 |
| Current Assets, Loans & Advances | | | | | |
| 1. Sundry Debtors | VI | 48,683,540 | | 34,967,484 | |
| 2. Inventory - Software | XII | 0 | | 468,317 | |
| 3. Cash and bank balances | VII | 12,426,468 | | 13,526,157 | |
| 4. Loans and Advances | VIII | 26,201,687 | | 39,435,971 | |
| Sub Total: | | 87,311,696 | | 88,397,929 | |
| Less: Current Liabilities and Provisions | IX | 31,889,098 | | 28,005,577 | |
| Net Current Assets | | | 55,422,598 | | 60,392,352 |
| Misc. Exp. to the extent not written off or ajusted: | | | 0 | | 0 |
| | | | 238,984,276 | | 237,122,835 |
| Notes on Accounts | XVII | | | | |

As per our report of even date attached

For and on behalf of the Board

**For S.R.Mohan & Co.,
Chartered Accountants**

K. SIVARAMAIAH
Partner M.No.21870
Hyderabad
24th July 2008

G. BALA REDDY
Managing Director

G. VENKATESWARA RAO
Executive Director

SoftPro Systems Limited

Profit and Loss Account for the year ended 31st March, 2008

| | Sch. | Year ended March 31, 2008 Rs. | Year ended March 31, 2007 Rs. |
|---|-----------|-------------------------------------|-------------------------------------|
| I. Income: | | | |
| 1. Software and Technical Services | X | 15,057,012 | 29,398,091 |
| 2. Lease/Rental Income | | 30,674,559 | 23,716,426 |
| 3. Other Income | XI | 19,950,451 | 14,759,290 |
| Total: | | <u>65,682,021</u> | <u>67,873,807</u> |
| II. Expenditure: | | | |
| 1. Change in WIP-Software | XII | 468,317 | 4,170,366 |
| 2. Employee Costs | XIII | 16,773,037 | 30,110,783 |
| 3. Business Development Exps | XIV | 2,105,606 | 6,531,039 |
| 4. Administrative Expenses | XV | 9,562,303 | 8,974,892 |
| 5. Financial Expenses | XVI | 2,893,567 | 4,023,481 |
| 6. Depreciation on Assets | V | 6,035,044 | 7,657,562 |
| Total: | | <u>37,837,873</u> | <u>61,468,123</u> |
| PROFIT BEFORE TAX | | 27,844,148 | 6,405,684 |
| Less :- <u>Provision for Income Tax</u> | | | |
| Current Tax | 5,792,653 | | |
| Fringe Benefit Tax | 52,526 | | |
| Dividend Tax paid | 407,880 | 6,253,059 | 1,469,361 |
| PROFIT AFTER TAX | | 21,591,089 | 4,936,323 |
| Profit brought forward from previous year | | 38,428,296 | 35,891,973 |
| | | 60,019,385 | 40,828,296 |
| Less:-Appropriations: | | | |
| Proposed Dividend | | 6,000,000 | 2,400,000 |
| Balance Carried to Balance Sheet | | <u>54,019,385</u> | <u>38,428,296</u> |
| Earnings per Share : Basic & Diluted | | 3.60 | 0.91 |
| Notes on Accounts | | XVII | |

As per our report of even date attached

For and on behalf of the Board

For S.R.Mohan & Co.,
Chartered Accountants

K. SIVARAMAIAH
Partner M.No.21870
Hyderabad
24th July 2008

G. BALA REDDY
Managing Director

G. VENKATESWARA RAO
Executive Director

SoftPro Systems Limited

Schedules Forming part of the Balance Sheet as at 31st March 2008

| | As at March 31, 2008 Rs. | As at March 31, 2007 Rs. |
|--|---|---|
| I. Share Capital: | | |
| <u>Authorised Share Capital</u> | | |
| 82,50,000 Equity Shares of Rs. 10/- each | 82,500,000 | 82,500,000 |
| 7,50,000 Redeemable Preference Shares of Rs.10/- each | 7,500,000 | 7,500,000 |
| | <u>90,000,000</u> | <u>90,000,000</u> |
| <u>Issued & Subscribed Capital</u> | | |
| 60,00,000 Equity Shares of Rs.10/- each (Including 41,35,560 shares issued as Bonus to the members out of profits) | <u>60,000,000</u> | <u>60,000,000</u> |
| <u>Paid up Capital</u> | | |
| 60,00,000 Equity Shares of Rs.10/- each | 60,000,000 | 60,000,000 |
| Less: Unpaid Calls (950 shares X Rs. 5) | 4,750 | 4,750 |
| | <u>59,995,250</u> | <u>59,995,250</u> |
| II. Reserves and Surplus | | |
| Equity Share Premium on 17,58,400 Shares | 107450500 | |
| Less:- Forfeited Shares (21200 x 75-1=) | 1568800 | |
| | <u>105881700</u> | |
| Less:Unpaid on 950 Shares @ 35/- | 33250 | |
| | <u>105,848,450</u> | 105,848,450 |
| Surplus in P&L Account | 54,019,385 | 38,428,296 |
| Capital Reserve / Forfeited Shares | 965,900 | 965,900 |
| Capital Redemption Reserve | 600,000 | 600,000 |
| General Reserve | 800,000 | 800,000 |
| | <u>162,233,735</u> | <u>146,642,646</u> |
| III. Secured Loans | | |
| Term Loan from SBH IF Branch, Punjagutta,Hyd. (Secured by Land, Building & Fixed Assets) | 16,755,291 | 30,484,939 |
| | <u>16,755,291</u> | <u>30,484,939</u> |

SoftPro Systems Limited

Schedules Forming part of the Balance Sheet as at 31st March 2008

| | As at March 31, 2008 Rs. | As at March 31, 2007 Rs. |
|--|--|--|
| IV. Investments | | |
| a) Equity shares in M/s Call World Technologies Ltd an Associate Enterprise Cost of 30,55,000 equity shares with face value of Rs. 10/- each fully paid up and not listed) Less:- Provision for Depreciation on Investments | 18,817,500 <u>6,188,000</u> 12,629,500 | 18,817,500 <u>6,188,000</u> 12,629,500 |
| b) Equity shares in Softpro Technologies Pvt Ltd - a subsidiary company (932820 Equity shares with face value of Rs. 10/- each full paid up -not listed.) | <u>9,328,200</u> | <u>9,328,200</u> |
| | <u>21,957,700</u> | <u>21,957,700</u> |

Schedules Forming part of the Balance Sheet Profit & Loss A/c as at 31st March 2008

SoftPro Systems Limited

V. Fixed Assets Schedule

Rs.

| Sl. No. | Name of the Asset | GROSS BLOCK | | | | | DEPRECIATION | | | | NET BLOCK | |
|---------|---------------------------------------|-------------|------------------------|---------------------------|-----------------------------|------------------------|-------------------|------------------|----------------------------|---------------------|--------------------|--------------------|
| | | % | Balance as on 01/04/07 | Additions during the year | Sale or adjsts for the year | Balance as on 31/03/08 | Upto 01/04/07 | During the year | Sale or Adjts for the year | Total upto 31/03/08 | As on 31/03/2008 | As on 31/03/2007 |
| 1 | Land with Development | 0.00 | 9,174,326 | 0 | 0 | 9,174,326 | 0 | 0 | 0 | 0 | 9,174,326 | 9,174,326 |
| 2 | Building | 1.63 | 81,128,411 | 0 | 0 | 81,128,411 | 5,477,993 | 1,322,393 | 0 | 6,800,386 | 74,328,025 | 75,650,418 |
| 3 | Air Conditioning System | 4.75 | 17,347,231 | 0 | 0 | 17,347,231 | 3,402,235 | 823,993 | 0 | 4,226,228 | 13,121,003 | 13,944,996 |
| 4 | Plant & Machinery | 4.75 | 1,850,045 | 0 | 0 | 1,850,045 | 794,435 | 87,877 | 0 | 882,312 | 967,733 | 1,055,610 |
| 5 | Electrical Equipments | 4.75 | 5,970,937 | 0 | 0 | 5,970,937 | 1,181,340 | 283,620 | 0 | 1,464,960 | 4,505,977 | 4,789,597 |
| 6 | Electrical Fittings | 4.75 | 9,244,124 | 0 | 0 | 9,244,124 | 1,750,406 | 439,096 | 0 | 2,189,502 | 7,054,622 | 7,493,718 |
| 7 | Interiors, Furniture & Fixtures | 6.33 | 31,278,975 | 0 | 0 | 31,278,975 | 9,353,185 | 1,979,959 | 0 | 11,333,144 | 19,945,831 | 21,925,790 |
| 8 | Lift System | 4.75 | 2,817,500 | 0 | 0 | 2,817,500 | 571,799 | 133,831 | 0 | 705,630 | 2,111,870 | 2,245,701 |
| 9 | Fire Safety Equipment | 4.75 | 2,251,457 | 0 | 0 | 2,251,457 | 454,103 | 106,944 | 0 | 561,047 | 1,690,410 | 1,797,354 |
| 10 | Computers | 16.21 | 10,361,301 | 0 | 0 | 10,361,301 | 10,315,813 | 45,488 | 0 | 10,361,301 | 0 | 45,488 |
| 11 | Software Tools & Packages | 4.75 | 13,911,417 | 0 | 0 | 13,911,417 | 4,202,545 | 660,792 | 0 | 4,863,337 | 9,048,080 | 9,708,872 |
| 12 | Office Equipment | 4.75 | 1,411,496 | 31,490 | 0 | 1,442,986 | 231,063 | 68,381 | 0 | 299,444 | 1,143,542 | 1,180,433 |
| 13 | Library Books | 16.21 | 63,389 | 0 | 0 | 63,389 | 63,389 | 0 | 0 | 63,389 | 0 | 0 |
| 14 | Motor Cars | 9.50 | 1,086,808 | 0 | 216,613 | 870,195 | 895,100 | 82,669 | 216,613 | 761,156 | 109,039 | 191,708 |
| 15 | Land at Vizag •(under development) | | 3,775,257 | 92,339 | 0 | 3,867,596 | 0 | 0 | 0 | 0 | 3,867,596 | 3,775,257 |
| | TOTAL | | 191,672,674 | 123,829 | 216,613 | 191,579,890 | 38,693,406 | 6,035,044 | 216,613 | 44,511,837 | 147,068,053 | 152,979,268 |

SoftPro Systems Limited

Schedules Forming part of the Balance Sheet as at 31st March 2008

| | As at March 31, 2008 Rs. | As at March 31, 2007 Rs. |
|---|--------------------------------|--------------------------------|
| VI. Sundry Debtors. | | |
| Unsecured and considered good | | |
| Outstanding for less than 6 months | 17,218,665 | 10,517,833 |
| Outstanding for more than 6months | <u>31,464,876</u> | <u>24,449,651</u> |
| | <u>48,683,540</u> | <u>34,967,484</u> |
| VII. Cash and Bank Balances | | |
| Cash in Hand | 36,046 | 110,339 |
| Balance with Scheduled Banks in Current Account (Including Rs.1,12,605/- In Foreign Banks & balance in Unclaimed Dividend Account of Rs.1,78,538/-) | 1,808,448 | 11,028,957 |
| Balance with Scheduled Banks in Fixed Deposits (including Under Lien to Bank agnt BGs Rs.2,60,000) | 10,581,974 | 2,386,861 |
| | <u>12,426,468</u> | <u>13,526,157</u> |
| VIII. Loans and Advances: | | |
| Advances recoverable in cash or in kind or for value to be received | 20,526,966 | 37,547,470 |
| Deposits with Government Departments | 1,787,103 | 1,778,020 |
| Advances for Capital goods | <u>3,887,618</u> | <u>110,481</u> |
| | <u>26,201,687</u> | <u>39,435,971</u> |
| IX. Current Liabilities and Provisions | | |
| Sundry Creditors for Capital Goods | 277,000 | 567,709 |
| Sundry Creditors for Business | 3,424,486 | 2,437,818 |
| Deposits and Advances Received | 13,598,695 | 16,559,613 |
| Outstanding Liabilities for Expenses | 2,722,741 | 3,096,241 |
| Proposed Dividend | 6,000,000 | 2,400,000 |
| Provision for Taxation | 5,758,637 | 2,070,580 |
| Provision for Gratuity | <u>107,539</u> | <u>873,616</u> |
| | <u>31,889,098</u> | <u>28,005,577</u> |
| X. Soft ware and Tech. Services | | |
| Software Projects (Exports) | 1,469,799 | 8,416,701 |
| Software Technical Services (Exports) | 2,880,019 | 12,699,250 |
| Software Projects (Domestics) | 3,941,849 | 885,000 |
| Software Technical Services (Domestic) | 3,193,053 | 3,237,842 |
| Receipts from Managed IT Services | 1,392,000 | 2,664,258 |
| Jboss Technical Fees (Training Fee) | 133,300 | 1,495,040 |
| Software Licenses-second sales | <u>2,046,992</u> | <u>0</u> |
| | <u>15,057,012</u> | <u>29,398,091</u> |
| XI. Other Income | | |
| Interest received | 661,563 | 431,258 |
| Rent Receipts for Furniture | 14,081,301 | 10,679,565 |
| Parking Charges Receipts | 745,900 | 282,140 |
| Maintenance Charges | 4,355,099 | 3,298,198 |
| Other Income | 47,588 | 68,129 |
| Profit on Sale of Motor Car | <u>59,000</u> | <u>0</u> |
| | <u>19,950,451</u> | <u>14,759,290</u> |

SoftPro Systems Limited

Schedules Forming part of the Profit & Loss A/c for the year ended 31st March 2008

| | As at March 31, 2008 Rs. | As at March 31, 2007 Rs. |
|---|--------------------------------|--------------------------------|
| XII. Change in W I P Software. | | |
| Software WIP & Product Development (Closing Bal.) | 0 | 468,317 |
| Less: Software WIP & Product development (Opening Bal.) | 468,317 | 4,638,683 |
| | 468,317 | 4,170,366 |
| XIII. Employee Costs : | | |
| Salaries & Benefits | 16,670,516 | 29,869,866 |
| Staff Welfare expenses | 102,521 | 240,917 |
| | 16,773,037 | 30,110,783 |
| XIV. Business Development Expenses: | | |
| Travelling & Conveyance | 640,573 | 1,023,442 |
| Advertisement | 32,653 | 432,508 |
| Computer Software Renewal Fee | 168,851 | 82,014 |
| Softnet Charges | 415,191 | 436,714 |
| Marketing Development Expenses | 788,607 | 4,335,040 |
| Membership & Subscriptions | 59,731 | 221,321 |
| | 2,105,606 | 6,531,039 |
| XV. Administrative Expenses: | | |
| Professional Charges | 2,197,161 | 3,260,718 |
| Printing and Stationery | 24,842 | 41,511 |
| Repairs and Maintnace | 2,045,692 | 1,891,894 |
| Telephone & Faxes | 190,394 | 204,472 |
| Electricity Charges | 609,541 | 1,001,611 |
| Insurance | 190,503 | 191,799 |
| Taxes and Fees | 781,882 | 708,373 |
| Exchange fluctuation | 621,765 | 179,259 |
| Office Maintenance Expenses | 1,070,466 | 975,697 |
| Bad debts written off | 71,199 | 19,173 |
| Loss on Sale of Assets | 0 | 350,385 |
| Rents | 1,518,858 | 0 |
| | 9,562,303 | 8,974,892 |
| XVI. Financial Expenses: | | |
| Interest Paid to Bank on Term Loans | 2,876,154 | 3,930,651 |
| Interest Paid to Others | 6,741 | 9,765 |
| Bank Charges | 10,672 | 83,065 |
| | 2,893,567 | 4,023,481 |

Schedule XVII

Notes to the Accounts:

1. Significant Accounting Policies:

- a) **Accounting Convention:** The financial statements are prepared under the historical cost convention in accordance with applicable accounting standards and relevant presentational requirements under the Companies Act, 1956.
- b) **Fixed Assets & Depreciation:** Fixed assets are stated at cost less depreciation. Cost of Acquisition is inclusive of freight, taxes, and installation. The method of Depreciation was changed from Written Down Value (WDV) to Straight Line Method (SLM) from the year 2000-2001, and the Straight Line Method is continued. Rates charged are as per Schedule XIV of Companies Act, 1956.
- c) The Company follows completed method of accounting for services rendered. In respect of Software projects and significant products under development.
- d) **Foreign Exchange Transactions:**
Transactions in foreign currency are recorded at the exchange rate prevailing on the date of transaction. Current assets and current liabilities not covered by forward exchange contracts are translated at the year-end exchange rates and the profit/loss so determined are recognized in the profit and loss account.
- e) Inventories are valued at cost or realizable market value whichever is less.
- f) **Investments:** Investments intended to be held for long term are treated as long term investments and are valued at cost of acquisition. Provision for decline in value of investments in the nature of permanent if any is made in the accounts.
- g) **Dividends:** Dividends if any recommended by the directors are accounted in the books of accounts pending approval of the Annual General Body Meeting.
- h) **Gratuity:** Provision for gratuity is made for the employees on completion of 5 years of Service on the basis of the present salary.

2. Previous year figures have been re-grouped wherever necessary to confirm to this year grouping.

3. Foreign Exchange earnings and outgo:

| | (in Rupees) | |
|---|--------------------|------------------|
| | 2007-2008 | 2006-2007 |
| a) Foreign Exchange earnings for export of software and technical services. | 43,49,818/- | 2,11,15,951/- |
| b) C.I.F. value of imports of machinery & software tools. | Nil | Nil |
| c) Foreign tour expenses | 8,19,006/- | 6,59,045/- |
| d) Other expenses in foreign currency | Nil | 11,27,147/- |

SoftPro Systems Limited

- | 4. <u>Auditors Remuneration:</u> | <i>(in Rupees)</i> | <i>(in Rupees)</i> |
|---|--------------------|--------------------|
| | <i>2007-2008</i> | <i>2006-2007</i> |
| Audit fee | 75000/- | 75000/- |
| Income tax services | 35000/- | 35000/- |
| Company law services | 23500/- | 23500/- |
| Others | 16500/- | 16500/- |
| Income Tax Assessments & Appeals | 90000/- | — |
| Total | 240000/- | 150000/- |
-
- | 5. <u>Repairs and Maintenance:</u> | 2007-2008 | 2006-2007 |
|---|------------------|------------------|
| Repairs to computer | 60955/- | 23557/- |
| Building Maintenance Expenses | 1861713/- | 1575367/- |
| Repairs to Plant and Machinery | 123024/- | 253323/- |
| Repairs to others | — | 39647/- |
| Total | 2045692/- | 1891894/- |
6. Estimated amount of contracts remaining to be executed on capital accounts not provided for Rs. 3,01,70,780/-
7. Claims against the Company not acknowledged as debt Rs. 3,76,112/-
8. The quantitative details requirements regarding software and technical services are not applicable.
9. Interest received and paid to banks shown separately.
10. Details of Remuneration to Directors and CEO

| Name & Designation | Salary | HRA | Conveyance | Other Allowances | Others | Total |
|--|-----------|----------|------------|------------------|----------|-----------|
| 1. A.Mallikharjuna Rao Executive Director | 7,50,000 | — | — | 10,500 | 8,70,000 | 16,60,500 |
| 2. A. Krishna Chand Managing Director | 13,12,500 | — | — | — | — | 13,12,500 |
| 3. Hemchandra Kavuri Chief Executive Officer (01-04-07 To 15-10-07) | 7,56,454 | 3,02,583 | — | 4,51,666 | 3,73,432 | 18,84,135 |

11. Some of the sundry debtors and creditors are subject to confirmation from the parties.

SoftPro Systems Limited

12. Contingent liabilities:- Bank Guarantees and Letter of Credits issued Rs. 2.60 lakhs and Income Tax in dispute not provided for Rs. 6,54,680/-
13. Corporate Tax on Dividend is accounted during the year of declaration and payment.
14. Disclosure in accordance with Section 22 of Micro, Small and Medium Enterprises Development Act, 2006.

| SL.No. | Particulars | As at March 31,2008 Rupees. |
|--------|--|--------------------------------|
| a. | Principal amount remaining unpaid and interest due thereon. | Nil |
| b. | Interest paid in term of Section 16 | Nil |
| c. | Interest due and payable for the period of delay in payment. | Nil |
| d. | Interest accrued and remaining unpaid. | Nil |
| e. | Interest due and payable even in succeeding years. | Nil |

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.

15. Salaries and benefits includes Contribution to Provident Fund of Rs. 5,93,906/-, ESI Contribution of Rs. 1,09,787/-and Provision for Gratuity of Rs. 7,673/-.
16. Investments: The market rate of investments is not available as it is not quoted share. Investments in Call World Technologies Ltd have been depreciated to the extent of expected decline in the value of the assets of the company as per AS-13. AS-23 is not followed as the investment is held with a view to its subsequent disposal in the near future.
17. Deferred Tax : The Company accounts for deferred taxes in accordance with Accounting Standard 22 issued by the Institute of Chartered Accountants of India, whereby deferred Tax assets and liabilities are recognized based on the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax basis of assets and liabilities using enacted or substantively enacted tax rates expected to apply to taxable income in the year temporary differences are expected to be recovered or settled.

Deferred tax assets are recognized on unabsorbed depreciation and carried forward losses only to the extent that there is virtual certainty supported by convincing evidence and on others to the extent that there is reasonable certainty of their realization.

The deferred tax assets and liabilities are negligible after setoff and therefore taking into Account the policy of the company no differed tax asset/liability is created.

SoftPro Systems Limited

18. Related party transactions:

a) Related party transactions with SoftPro Technologies Pvt. Ltd, a subsidiary Company.

- i) An amount of Rs. 8,000/- is advanced during the year and an amount of Rs. 76,95,105/- is outstanding as on 31st March 2008.
- ii) Sundry Debtors:-An amount of Rs.58,78,641/- are outstanding as on 31st March 2008.

b) Related party transactions with Call World Technologies Limited, an Associate Company.

- i) Sundry Debtors : Last year dues of Rs.1258056/- has been fully recovered during the year.

c) Related party transactions with Softpros Inc USA, an Associate Company.

- i) Software Export services of Rs. 33,71,436/- are billed during the year.
- ii) Sundry Debtors: an amount of Rs. 57,14,418/- is outstanding as on 31st March 2008.
- iii) Sundry Creditors:- An amount of Rs. 28,52,549/- is outstanding as on 31st March 08.
- iv) An amount of Rs. 14,25,011/- towards office Rents has been accounted during the year.

19. Land at Vizag has been allotted by APIIC. The total cost of Land including development charges has been paid and Agreement of Sale registered. As per the terms of allotment, land shall be registered only after construction of the Building. Therefore Sale Deed for Purchase of land is not yet registered.

20. Stock options granted to employees have been lapsed as none of the employees have subscribed the same and therefore it is not reflected in the accounts.

21. Income tax department has appealed before ITAT against the case won by the company before CIT Appeals for Assessment Year 2004-05. The Board is confident of winning the case and therefore no provision is made in the books of accounts to the extent of the amount of Rs.6,54,680 under appeal.

22. M/s Sahasra Investments (P) Ltd along with its persons made an open offer in November 2007 and after getting approval from SEBI and other authorities M/s Sahasra Investments (P) Ltd has taken over the management of the company on 7th April 2008. The new management is represented by Mr.G.Bala Reddy, Mrs.G.V.Mary and Mr.G.Venkateswara Rao.

SoftPro Systems Limited

23. Segment Report as per Accounting Standard 17 for the Year ended 31st March 2008

| S. No. | Particulars | Audited Figures for | |
|----------|--|--------------------------------|---------------------------------|
| | | Current year ended 31-03-08 | Previous year ended 31-03-07 |
| 1 | Segment Revenue (Net Sale/Income from segment) | | |
| | a) Software Development | 150.57 | 293.98 |
| | b) Lease/Rental Income | 306.75 | 237.16 |
| | Total | <u>457.32</u> | <u>531.14</u> |
| | Less: Inter Segment Revenue | <u>0</u> | <u>0</u> |
| | Net Sales/Income from Operations | <u>457.32</u> | <u>531.04</u> |
| 2 | Segment Results Profit/Loss before tax, interest and Lease/Rental Income from segment | | |
| | a) Software Development | -131.89 | -227.65 |
| | b) Lease/Rental Income | 239.59 | 183.42 |
| | Total | <u>107.70</u> | <u>-44.23</u> |
| | c) other Income | 199.50 | 147.59 |
| | Less:- (i) Interest | 28.76 | 39.31 |
| | Total Profit/Loss Before Tax | <u>278.44</u> | <u>64.06</u> |
| 3 | Capital Employed | | |
| | a) Software Development | 1556.45 | 1563.83 |
| | b) Lease/Rental Income | 665.84 | 502.55 |
| | Total | <u>2222.29</u> | <u>2066.38</u> |

SoftPro Systems Limited

24. Balance Sheet Abstract and Company's general business profile:

a. **Registration Details**

Registration No: 01-13479 State Code: 01
Balance Sheet Date 31-03-2008

b. **Capital Raised during the year (Amount in Rs. Thousands)**

Public Issue NIL Rights Issue NIL
Bonus Issue NIL Private Placements NIL

c. **Position of Mobilization and deployment of Funds: (Amount in Thousands)**

Total Liabilities 238984 Total Assets 238984

Source of Funds

Reserves & Surplus 162234 Paid up Capital 59995
Un-secured Loans 0 Secured Loans 16755

Application of Funds

Net Fixed Assets 161604 Investments 21958
Net Current Assets 55423 Misc. Expenditure 0
Accumulated losses NIL Deferred tax asset 0

d. **Performance of Company (Amount in Thousands)**

Turnover 65682 Total Expenditure 37838
Profit/Loss before tax (+) 27844 Profit/Loss after tax 215.91
Earnings per Share Rs. 3.60 Dividend 10 %

e. **Generic Name of three Principal Products/Services of Company**

Item Code
Product Description : Software Development

As per our report of even date attached

For S.R.Mohan & Co.,

Chartered Accountants

K. SIVARAMAIAH

Partner M.No.21870

G. BALA REDDY

Managing Director

G. VENKATESWARA RAO

Executive Director

Hyderabad

24th July 2008

SoftPro Systems Limited

| CASH FLOW STATEMENT | 2007-08 | 2006-07 |
|---|--------------------|--------------------|
| | Rs. | Rs. |
| A CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit before Tax and Extraordinary items | 27,844,148 | 6,405,684 |
| Adjustment for: | | |
| Depreciation | 6,035,044 | 7,657,563 |
| Profit/Loss on sales of Assets (profit-) (loss+) | -59,000 | 350,385 |
| Foreign exchange | | |
| Investments | 0 | 0 |
| Interest/Dividend received | -661,563 | -431,258 |
| Operating profit before working capital changes | 33,158,629 | 13,982,374 |
| Adjustment for :(increase-)/Dec (+) | | |
| Trade and other Receivables | -481,773 | -479,597 |
| Inventories; Increase(+)/Decrease(-) | 468,317 | 4,170,366 |
| Trade Payables. Increase(+)/Decrease(-) | 283,521 | 4,413,285 |
| Cash generated from Operations | 33,428,694 | 22,086,428 |
| Interest paid | 2,876,154 | 3,930,651 |
| Direct Taxes paid | -6,253,059 | -1,469,361 |
| Cash flow before extra-ordinary items | 30,051,789 | 24,547,718 |
| Extra ordinary items- | | |
| NET CASH FLOW FROM OPERATING ACTIVITIES | 30,051,789 | 24,547,718 |
| B CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of Fixed Assets | -123,829 | -1,189,805 |
| Capital workin Progress | -12,742,410 | -1,793,515 |
| Sale of Fixed Assets | 59,000 | 521,887 |
| Acquisition of Companies (as per annexure) | | 0 |
| Purchase of Investments | 0 | -617,500 |
| Sale of Investments | 0 | 0 |
| Interest Received | 661,563 | 431,258 |
| Interest paid | -2,876,154 | -3,930,651 |
| NET CASH USED IN INVESTING ACTIVITIES | -15,021,830 | -6,578,326 |
| C CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from issue of share capital | 0 | 0 |
| Proceeds from Long term borrowings | 0 | 2,000,000 |
| Repayment of financial lease/liabilities | -13,729,648 | -13,979,253 |
| Repayment of Working Capital Loan | 0 | 0 |
| Repayment of Usecured Loan and HP loans | 0 | -334,230 |
| Dividends paid(Net of reserval of excess provision) | -2,400,000 | -3,600,000 |
| NET CASH FLOW FROM FINANCING ACTIVITIES | -16,129,648 | -15,913,483 |
| Net Increase in cash and cash equivalent (A+B+C) | -1,099,689 | 2,055,909 |
| Cash and cash equivalent at the beginning | 13,526,157 | 11,470,248 |
| Cash and cash equivalent at the close | 12,426,468 | 13,526,157 |
| | -1,099,689 | 2,055,909 |

As per our report of even date

For and on behalf of the Board

For S.R.Mohan & Co.,

Chartered Accountants

K. SIVARAMAIAH

Partner M.No.21870

Hyderabad

24th July 2008

G. BALA REDDY

Managing Director

G. VENKATESWARA RAO

Executive Director

SoftPro Systems Limited

Statement pursuant to Section 212 of the Companies Act, 1956 relating to subsidiary companies

1. Name of the subsidiary : Softpro Technologies Private Limited
 2. Financial period ended : 31st March 2008
 3. Holding company's interest : 93.28 %
(9,32,820 Equity Shares of Rs.10/- each fully paid up)
 4. The net aggregate of profits or losses for the current period of the subsidiary so far as it concerns the members of the holding company : Not applicable - As no profit and loss account of the subsidiary is prepared
 5. The net aggregate of profits or losses for the previous profit and loss account of the financial years of the subsidiary so far as it concerns the members of the holding company : Not applicable - As no profit and loss account of the subsidiary is prepared
-

Hyderabad
24th July, 2008

G. BALA REDDY
Managing Director

G.VENKATESWARA RAO
Executive Director

Auditors' Report

Consolidated Financial Statements of SoftPro Systems Limited and its Subsidiary.

Auditors' report to the board of directors on the consolidated financial statements of SoftPro Systems Limited and its subsidiary SoftPro Technologies Private Limited.

We have audited the attached consolidated Balance Sheet of Softpro Systems Limited and Softpro Technologies Private Limited (collectively called SoftPro Group) as at 31st March, 2008, the consolidated profit and loss account and the consolidated 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.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that I 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 management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for our opinion.

We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India.

In our opinion and to the best of my information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the consolidated balance sheet, of the state of affairs of the SoftPro Group as at 31st March, 2008;
- b) in the case of the consolidated profit and loss account, of the profit of the SoftPro Group for the year ended on that date; and
- c) in the case of the consolidated cash flow statement, of the cash flows of the SoftPro Group for the year ended on that date.

For S.R.Mohan & Co.,
Chartered Accountants

Hyderabad
24th July, 2008

K.SIVARAMAIAH
Partner. M.No.21870

Balance Sheet as at 31st March, 2008

| | Sch. | As at March 31, 2008 Rs. | | As at March 31, 2007 Rs. | |
|--|------|--------------------------------|--------------------|--------------------------------|--------------------|
| I SOURCES OF FUNDS | | | | | |
| Share holder's Funds: | | | | | |
| a. Share Capital | | | | | |
| Issued, Subscribed and Paid up Capital | I | | 59,995,250 | | 59,995,250 |
| b. Reserves and Surplus | II | | 162,233,735 | | 146,642,646 |
| Minority Interest : | | | | | |
| Capital | | | 671,800 | | 671,800 |
| Loan funds: | | | | | |
| a. Secured loans | III | | 16,755,291 | | 30,484,939 |
| b. Unsecured Loans | | | 0 | | 0 |
| TOTAL: | | | 239,656,076 | | 237,794,635 |
| II APPLICATION OF FUNDS: | | | | | |
| Fixed Assets: | | | | | |
| Gross Block | VI | 191,595,625 | | 191,688,409 | |
| Less. Provision for Depreciation | | 44,521,268 | | 38,700,288 | |
| Net Block | | | 147,074,357 | | 152,988,121 |
| Capital Workin Progress at Vizag | | | 14,535,925 | | 1,793,515 |
| Goodwill (on consolidation) | | | 643,388 | | 643,388 |
| Investments | IV | | 12,629,500 | | 12,629,500 |
| Deferred Tax Asset | | | | | 0 |
| Current Assets, Loans & Advances | | | | | |
| 1. Sundry Debtors | V | 42,804,900 | | 29,088,843 | |
| 2. Inventory - Software | | 22,874,636 | | 23,332,404 | |
| 3. Cash and bank balances | VII | 12,488,001 | | 13,587,690 | |
| 4. Loans and Advances | VIII | 18,507,889 | | 31,750,173 | |
| Sub Total: | | 96,675,426 | | 97,759,110 | |
| Less: Current Liabilities and Provisions | IX | 31,902,520 | | 28,018,999 | |
| Net Current Assets | | | 64,772,906 | | 69,740,111 |
| Misc. Exp. to the extent not written off or adjusted: | | | 0 | | 0 |
| TOTAL: | | | 239,656,076 | | 237,794,635 |
| Notes to the Financial Statements | XVII | | | | |

As per our report of even date attached

For and on behalf of the Board

For S.R.Mohan & Co.,
Chartered Accountants

K. SIVARAMAIAH
Partner M.No.21870
Hyderabad
24th July 2008

G. BALA REDDY
Managing Director

G. VENKATESWARA RAO
Executive Director

Profit and Loss Account for the year ended 31st March, 2008

| | Sch. | Year ended March 31, 2008 Rs. | Year ended March 31, 2007 Rs. |
|---|-----------|-------------------------------------|-------------------------------------|
| I. Income: | | | |
| 1. Software and Technical Services | X | 15,057,012 | 29,398,091 |
| 2. Lease/Rental Income | | 30,674,559 | 23,716,426 |
| 3. Other Income | XI | 19,950,451 | 14,759,290 |
| Total: | | <u>65,682,022</u> | <u>67,873,807</u> |
| II. Expenditure: | | | |
| 1. Change in WIP-Software | XII | 457,768 | 4,154,269 |
| 2. Employee Costs | XIII | 16,773,037 | 30,111,520 |
| 3. Business Development Exps | XIV | 2,105,606 | 6,531,039 |
| 4. Administrative Expenses | XV | 9,570,303 | 8,987,701 |
| 5. Financial Expenses | XVI | 2,893,567 | 4,023,481 |
| 6. Depreciation on Assets | VI | 6,037,593 | 7,660,113 |
| Total: | | <u>37,837,874</u> | <u>61,468,123</u> |
| PROFIT BEFORE TAX | | 27,844,148 | 6,405,684 |
| Less :- <u>Provision for Income Tax</u> | | | |
| Current Tax | 5,792,653 | | |
| Fringe Benefit Tax | 52,526 | | |
| Dividend Tax paid | 407,880 | <u>6,253,059</u> | <u>1,469,361</u> |
| PROFIT AFTER TAX | | 21,591,089 | 4,936,323 |
| Profit brought forward from previous year | | <u>38,428,296</u> | <u>35,891,973</u> |
| | | <u>60,019,385</u> | <u>40,828,296</u> |
| Less:-Appropriations: | | | |
| Proposed Dividend | | <u>6,000,000</u> | <u>2,400,000</u> |
| Balance Carried to Balance Sheet | | <u>54,019,385</u> | <u>38,428,296</u> |
| Earnings per Share : Basic & Diluted | | 3.60 | 0.91 |
| Notes to the Financial Statements | XVII | | |

As per our report of even date attached

For and on behalf of the Board

For S.R.Mohan & Co.,

Chartered Accountants

K. SIVARAMAIAH

Partner M.No.21870

G. BALA REDDY

Managing Director

G. VENKATESWARA RAO

Executive Director

Hyderabad

24th July 2008

Schedules Forming part of the Balance Sheet as at 31st March 2008

| Schedule | As at March 31, 2008 Rs. | As at March 31, 2007 Rs. |
|---|--------------------------------|--------------------------------|
| I. Share Capital: | | |
| <u>Authorised Share Capital</u> | | |
| 82,50,000 Equity Shares of Rs. 10/- each | 82,500,000 | 82,500,000 |
| 7,50,000 Redeemable Preference Shares of Rs.10/- each | 7,500,000 | 7,500,000 |
| | 90,000,000 | 90,000,000 |
| <u>Issued & Subscribed Capital</u> | | |
| 60,00,000 Equity Shares of Rs.10/- each (Including 41,35,560 shares issued as Bonus to the members out of profits | 60,000,000 | 60,000,000 |
| <u>Paid up Capital</u> | | |
| 60,00,000 Equity Shares of Rs.10/- each | 60,000,000 | 60,000,000 |
| Less: Unpaid Calls (950 shares X Rs. 5) | 4,750 | 4,750 |
| | 59,995,250 | 59,995,250 |
| II. Reserves and Surplus | | |
| Equity Share Premium on 17,58,400 Shares | 107,450,500 | 107,450,500 |
| Less:- Forfeited Shares (21200 x 75-1=) | 1,568,800 | 1,568,800 |
| | 105,881,700 | 105,881,700 |
| Less:Unpaid on 950 Shares @ 35/- | 33,250 | 33,250 |
| Surplus in P&L Account | 54,019,385 | 38,428,296 |
| Capital Reserve / Forfeited Shares | 965,900 | 965,900 |
| Capital Redemption Reserve | 600,000 | 600,000 |
| General Reserve | 800,000 | 800,000 |
| | 162,233,735 | 146,642,646 |
| III. Secured Loans | | |
| Term Loan from SBH IF Branch, Punjagutta, Hyd. (Secured by Land, Building & Fixed Assets) | 16,755,291 | 30,484,939 |
| | 16,755,291 | 30,484,939 |
| IV. Investments | | |
| Equity shares in M/s Call World Technologies Ltd an associate Company (Cost of 30,55,000 equity shares with face value of Rs. 10/- each fully paid up and not listed) | 18,817,500 | 18,817,500 |
| Less:- Provision for Depreciation on Investments | 6,188,000 | 6,188,000 |
| | 12,629,500 | 12,629,500 |
| V. Sundry Debtors. | | |
| Unsecured and considered good | | |
| Outstanding for less than 6 months | 17,218,665 | 10,517,833 |
| Outstanding for more than 6months | 25,586,235 | 18,571,010 |
| | 42,804,900 | 29,088,843 |

Schedules Forming part of the Balance Sheet as at 31st March 2008

VI Fixed Assets Schedule

Rs.

| Sl. No. | Name of the Asset | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
|---------|---------------------------------|------------------------|---------------------------|-----------------------------|------------------------|-------------------|------------------|----------------------------|---------------------|--------------------|--------------------|
| | | Balance as on 01/04/07 | Additions during the year | Sale or adjsts for the year | Balance as on 31/03/08 | Upto 01/04/07 | During the year | Sale or Adjts for the year | Total upto 31/03/08 | As on 31/03/2008 | As on 31/03/2007 |
| 1 | Land at Hyderabad | 9,174,326 | 0 | 0 | 9,174,326 | 0 | 0 | 0 | 0 | 9,174,326 | 9,174,326 |
| 2 | Building | 81,128,411 | 0 | 0 | 81,128,411 | 5,477,993 | 1,322,393 | 0 | 6,800,386 | 74,328,025 | 75,650,418 |
| 3 | Air Conditioning System | 17,347,231 | 0 | 0 | 17,347,231 | 3,402,235 | 823,993 | 0 | 4,226,228 | 13,121,003 | 13,944,996 |
| 4 | Plant & Machinery | 1,850,045 | 0 | 0 | 1,850,045 | 794,435 | 87,877 | 0 | 882,312 | 967,733 | 1,055,610 |
| 5 | Electrical Equipments | 5,970,937 | 0 | 0 | 5,970,937 | 1,181,340 | 283,620 | 0 | 1,464,960 | 4,505,977 | 4,789,597 |
| 6 | Electrical Fittings | 9,244,124 | 0 | 0 | 9,244,124 | 1,750,406 | 439,096 | 0 | 2,189,502 | 7,054,622 | 7,493,718 |
| 7 | Interiors, Furniture & Fixtures | 31,278,975 | 0 | 0 | 31,278,975 | 9,353,185 | 1,979,959 | 0 | 11,333,144 | 19,945,831 | 21,925,790 |
| 8 | Lift System | 2,817,500 | 0 | 0 | 2,817,500 | 571,799 | 133,831 | 0 | 705,630 | 2,111,870 | 2,245,701 |
| 9 | Fire Safety Equipment | 2,251,457 | 0 | 0 | 2,251,457 | 454,103 | 106,944 | 0 | 561,047 | 1,690,410 | 1,797,354 |
| 10 | Computers | 10,377,036 | 0 | 0 | 10,377,036 | 10,322,695 | 48,038 | 0 | 10,370,733 | 6,303 | 54,341 |
| 11 | Software Tools & Packages | 13,911,417 | 0 | 0 | 13,911,417 | 4,202,545 | 660,792 | 0 | 4,863,337 | 9,048,080 | 9,708,872 |
| 12 | Office Equipment | 1,411,496 | 31,490 | 0 | 1,442,986 | 231,063 | 68,381 | 0 | 299,444 | 1,143,542 | 1,180,433 |
| 13 | Library Books | 63,389 | 0 | 0 | 63,389 | 63,389 | 0 | 0 | 63,389 | 0 | 0 |
| 14 | Motor Cars | 1,086,808 | 0 | 216,613 | 870,195 | 895,100 | 82,669 | 216,613 | 761,156 | 109,039 | 191,708 |
| 15 | Land at Vizag | 3,775,257 | 92,339 | 0 | 3,867,596 | 0 | 0 | 0 | 0 | 3,867,596 | 3,775,257 |
| | T O T A L | 191,688,409 | 123,829 | 216,613 | 191,595,625 | 38,700,288 | 6,037,593 | 216,613 | 44,521,268 | 147,074,357 | 152,988,121 |

Schedules Forming part of the Balance Sheet as at 31st March 2008

| Schedule | As at March 31, 2008 Rs. | As at March 31, 2007 Rs. |
|--|--------------------------------|--------------------------------|
| VII. Cash and Bank Balances | | |
| Cash in Hand | 37,023 | 111,316 |
| Balance with Scheduled Banks in Current Account (Including Rs.1,12,605/- In Foreign Bank & balance in Unclaimed Dividend A/c of Rs.1,78,538/-) | 1,869,004 | 11,089,513 |
| Balance with Scheduled Banks in Fixed Deposits (including under lien to Bank agnt.BGs.Rs.2,60,000) | 10,581,974 | 2,386,861 |
| | <u>12,488,001</u> | <u>13,587,690</u> |
| VIII. Loans and Advances: | | |
| Advances recoverable in cash or in kind or for value to be received | 12,833,168 | 29,861,672 |
| Deposits with Government Departments | 1,787,103 | 1,778,020 |
| Advances for Capital Goods | 3,887,618 | 110,481 |
| | <u>18,507,889</u> | <u>31,750,173</u> |
| IX. Current Liabilities and Provisions | | |
| Sundry Creditors for Capital Goods | 277,000 | 567,709 |
| Sundry Creditors for Business | 3,424,486 | 2,437,818 |
| Deposits and Advances Received | 13,598,695 | 16,559,613 |
| Outstanding Liabilities for Expenses | 2,736,163 | 3,109,663 |
| Proposed Dividend | 6,000,000 | 2,400,000 |
| Provision for Taxation | 5,758,637 | 2,070,580 |
| Provision for Gratuity | 107,539 | 873,616 |
| | <u>31,902,520</u> | <u>28,018,999</u> |
| X. Soft ware and Tech. Services | | |
| Software Projects (Exports) | 1,469,799 | 8,416,701 |
| Software Technical Services (Exports) | 2,880,019 | 12,699,250 |
| Software Projects (Domestics) | 3,941,849 | 885,000 |
| Software Technical Services (Domestic) | 3,193,053 | 3,237,842 |
| Jboss Technical Fees (Training Fee) | 133,300 | 1,495,040 |
| Receipts from Managed IT Services | 1,392,000 | 2,664,258 |
| Software Licenses-Second Sales | 2,046,992 | 0 |
| | <u>15,057,012</u> | <u>29,398,091</u> |
| XI. Other Income | | |
| Interest received | 661,563 | 431,258 |
| Rent Receipts for Furniture | 14,081,301 | 10,679,565 |
| Parking Charges Receipts | 745,900 | 282,140 |
| Maintenance Charges | 4,355,099 | 3,298,198 |
| Other Income | 47,588 | 68,129 |
| Profit on Sale of Motor Car | 59,000 | 0 |
| | <u>19,950,451</u> | <u>14,759,290</u> |

Schedules Forming part of the Profit & Loss A/c for the year ended 31st March 2008

| Schedule | As at March 31, 2008 Rs. | As at March 31, 2007 Rs. |
|--|--------------------------------|--------------------------------|
| XII. <u>Change of W I P Software.</u> | | |
| Software WIP & Product Development (Closing Bal) | 22,874,636 | 23,332,404 |
| Less: Software WIP & Product development(Opeining Bal) | <u>23,332,404</u> | <u>27,486,673</u> |
| | <u>457,768</u> | <u>4,154,269</u> |
| XIII. <u>Employees Cost :</u> | | |
| Salaries and Benefits | 16,670,516 | 29,870,603 |
| Staff Welfare expenses | <u>102,521</u> | <u>240,917</u> |
| | <u>16,773,037</u> | <u>30,111,520</u> |
| XIV. <u>Business Development Expenses:</u> | | |
| Travelling & Conveyance | 640,573 | 1,023,442 |
| Advertisement | 32,653 | 432,508 |
| Computer Software Renewal Fee | 168,851 | 82,014 |
| Softnet Charges | 415,191 | 436,714 |
| Marketing Development Expenses | 788,607 | 4,335,040 |
| Membership & Subscriptions | <u>59,731</u> | <u>221,321</u> |
| | <u>2,105,606</u> | <u>6,531,039</u> |
| XV. <u>Administrative Expenses:</u> | | |
| Professional Charges | 2,197,161 | 3,260,718 |
| Printing and Stationery | 24,842 | 41,511 |
| Repairs and Maintnace | 2,045,692 | 1,891,894 |
| Telephone & Faxes | 190,394 | 204,472 |
| Electricity Charges | 609,541 | 1,001,611 |
| Auditor's Remuneration | 245,000 | 155,000 |
| Insurance | 190,503 | 191,799 |
| Taxes and Fees | 784,882 | 715,873 |
| Exchange fluctuation | 621,765 | 179,259 |
| Office Maintenance Expenses | 1,070,466 | 976,006 |
| Bad debts written off | 71,199 | 19,173 |
| Loss on Sale of Assets | 0 | 350,385 |
| Rents | <u>1,518,858</u> | <u>0</u> |
| | <u>9,570,303</u> | <u>8,987,701</u> |
| XVI. <u>Financial Expenses:</u> | | |
| Interest Paid to Bank on Term Loans | 2,876,154 | 3,930,651 |
| Interest Paid to Others | 6,741 | 9,765 |
| Bank Charges | <u>10,672</u> | <u>83,065</u> |
| | <u>2,893,567</u> | <u>4,023,481</u> |

Schedule XVII

Notes to the Consolidated Financial Statements:1. **Significant Accounting Policies :**

- a) **Accounting Convention:** The financial statements are prepared under the historical cost convention in accordance with applicable accounting standards and relevant presentational requirements under the Companies Act, 1956.
- b) **Fixed Assets & Depreciation:** Fixed assets are stated at cost less depreciation. Cost of Acquisition is inclusive of freight, taxes, installation. The method of Depreciation was changed from Written Down Value (WDV) to Straight Line Method (SLM) from the year 2000-2001, and the Straight Line Method is continued. Rates charged are as per Schedule XIV of Companies Act, 1956.
- c) Softpro group follows completed method of accounting for services rendered. In respect of Software projects and significant products under development.
- d) **Foreign Exchange Transactions:**
Transactions in foreign currency are recorded at the exchange rate prevailing on the date of transaction. Current assets and current liabilities not covered by forward exchange contracts are translated at the year-end exchange rates and the profit/loss so determined are recognized in the profit and loss account.
- e) Inventories are valued at cost or realizable market value whichever is less.
- f) **Investments:** Investments intended to be held for long term are treated as long term investments and are valued at cost of acquisition. Provision for decline in value of investments in the nature of permanent if any is made in the accounts.
- g) **Dividends:** Dividends if any recommended by the directors are accounted in the books of accounts pending approval of the Annual General Body Meeting.
- h) Gratuity: Provision for gratuity is made for the employees on completion of 5 years of service on the basis of the present salary.
- i) The consolidated results include results of its subsidiary Company M/s SoftPro Technologies Pvt Ltd, prepared in accordance with the accounting standard 21 issued by the Institute of Chartered Accountants of India.

2. Previous year figures have been re-grouped wherever necessary to confirm to this Year grouping

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

| | 2007-2008 | 2006-2007 |
|---|-----------------|---------------|
| a) Foreign Exchange earnings for export of software and technical services. | Rs. 43,49,818/- | 2,11,15,951/- |
| b) C.I.F. value of imports of machinery & software tools. | Nil | Nil |
| c) Foreign tour expenses | Rs. 8,19,006/- | 6,59,045/- |
| d) Other expenses in foreign currency | Nil | 11,27,147/- |

| | | |
|---|-------------------|-------------------|
| 4. <u>Auditors Remuneration:</u> | 2007-2008 | 2006-2007 |
| Audit fee | 80,000/- | 80,000/- |
| Income tax services | 35,000/- | 35,000/- |
| Company law services | 23,500/- | 23,500/- |
| Others | 16,500/- | 16,500/- |
| Income Tax Assessments & Appeals | 90,000/- | — |
| Total | 2,45,000/- | 1,55,000/- |

| | | |
|---|--------------------|--------------------|
| 5. <u>Repairs and Maintenance:</u> | 2007-2008 | 2006-2007 |
| Repairs to computer | 60,955/- | 23,557/- |
| Building Maintenance Expenses | 18,61,713/- | 15,75,367/- |
| Repairs to Plant and Machinery | 1,23,024/- | 2,53,323/- |
| Repairs to others | — | 39,647/- |
| Total | 20,45,692/- | 18,91,894/- |

6. Estimated amount of contracts remaining to be executed on capital accounts not provided for is Rs. 301,70,780/-
7. Claims against the Company not acknowledged as debit Rs. 3,76,112/-
8. The quantitative details requirements regarding software and technical services are not applicable.
9. Interest received and paid to banks shown separately.
10. Details of Remuneration to Directors and CEO

| Name & Designation | Salary | HRA | Other Allowances | Others | Total |
|--|-----------|----------|------------------|----------|-----------|
| 1. A. Mallikharjuna Rao Executive Director | 7,50,000 | — | 10,500 | 8,70,000 | 16,60,500 |
| 2. A. Krishna Chand Managing Director | 13,12,500 | — | — | — | 13,12,500 |
| 3. Hemchandra Kavuri Chief Executive Officer (01-04-07 To 15-10-07) | 7,56,454 | 3,02,583 | 4,51,666 | 3,73,432 | 18,84,135 |

11. Some of the sundry debtors and creditors are subject to confirmation from the parties.
12. Contingent liabilities: Bank Guarantees and Letter of Credits issued Rs. 2.60 lakhs Income tax in dispute not provided for Rs. 654,680/-

13. Corporate Tax on Dividend is accounted during the year of declaration and payment.
14. Disclosure in accordance with Section 22 of Micro, Small and Medium Enterprises Development Act, 2006.

| SL.No. | Particulars | As at March 31,2008 Rupees |
|--------|--|-------------------------------|
| a. | Principal amount remaining unpaid and interest due thereon. | Nil |
| b. | Interest paid in term of Section 16 | Nil |
| c. | Interest due and payable for the period of delay in payment. | Nil |
| d. | Interest accrued and remaining unpaid. | Nil |
| e. | Interest due and payable even in succeeding years. | Nil |

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.

15. Salaries and benefits includes Contribution to Provident Fund of Rs.5,93,906/-, ESI Contribution of Rs. 1,09,787/-and Provision for Gratuity of Rs. 7,673/-
16. **Investments: The market rate of investments is not available as it is not quoted share.**

Investments in Call World Technologies Ltd have been depreciated to the extent of expected decline in the value of the assets of the company as per AS-13. AS-23 is not followed as the investment is held with a view to its subsequent disposal in the near future

17. **Deferred Tax :** The Company accounts for deferred taxes in accordance with Accounting Standard 22 issued by the Institute of Chartered Accountants of India, whereby deferred tax assets and liabilities are recognized based on the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax basis of assets and liabilities using enacted or substantively enacted tax rates expected to apply to taxable income in the year temporary differences are expected to be recovered or settled.

Deferred tax assets are recognized on unabsorbed depreciation and carried forward losses only to the extent that there is virtual certainty supported by convincing evidence and on others to the extent that there is reasonable certainty of their realization.

The deferred tax assets and liabilities are negligible after setoff and therefore taking into Account the policy of the company no differed tax asset/liability is created.

18. Related party transactions :
- a) Related party transactions with SoftPro Technologies Pvt Ltd, a subsidiary company.
 - i) An amount of Rs. 8,000/- is advanced during the year and an amount of Rs.76,95,105/- is outstanding as on 31st March 2008.
 - ii) Sundry Debtors:-An amount of Rs. 58,78,641/-are outstanding as on 31st March 2008.
 - b) Related party transactions with Callworld Technologies Ltd, an Associate company.
 - i) Sundry Debtors : Last year dues of Rs.1258056/- has been fully recovered during the year.
 - c) Related party transactions with Softpros Inc USA, an Associate company.
 - i) Software Export services of Rs. 33,71,436/- are billed during the year.
 - ii) Sundry Debtors: an amount of Rs. 57,14,418/- is outstanding as on 31st March 2008.
 - iii) Sundry Creditors:- An amount of Rs. 28,52,549/-is outstanding as on 31st March 2008.
 - iv) An amount of Rs.14,25,011/- towards office rents has been accounted during the year.
19. Accounting for Investments in Associates : As per the proposed plans of the company the investments in associate are intended to be disposed off in the near future and therefore Accounting for Investment in Associates in Consolidated financial statements (AS-23) is not followed. Accounting for Investment (AS-13) is followed. The permanent decline in the investment have been provided for in the accounts.
20. Income tax department has appealed before ITAT against the case won by the company before CIT Appeals for Assessment Year 2004-05. The Board is confident of winning the case and therefore no provision is made in the books of accounts to the extent of the amount Rs.6,54,680/- under appeal.
21. Stock options granted to employees have been lapsed as none of the employees have subscribed the same and therefore it is not reflected in the accounts.
22. M/s Sahasra Investments (P) Ltd along with its persons made an open offer in November 2007 and after getting approval from SEBI and other authorities M/s Sahasra Investments (P) Ltd has taken over the management of the company on 7th April 2008. The new management is represented by Mr.G.Bala Reddy, Mrs.G.V.Mary and Mr.G.Venkateswara Rao.
23. Land at Vizag has been allotted by APIIC. The total cost of Land including development charges has been paid and Agreement of Sale registered. As per the terms of allotment, land shall be registered only after construction of the Building. Therefore Sale Deed for Purchase of land is not yet registered.

24. Segment Report as per Accounting Standard 17 for the Year ended 31st March 2008

| S. No. | Particulars | Audited Figures for | |
|----------|---|--------------------------------|---------------------------------|
| | | Current year ended 31-03-08 | Previous year ended 31-03-07 |
| 1 | Segment Revenue (Net Sale/Income from segment) | | |
| | a) Software Development | 150.57 | 293.98 |
| | b) Lease/Rental Income | 306.75 | 237.16 |
| | Total | 457.32 | 531.14 |
| | Less: Inter Segment Revenue | | 0 |
| | Net Sales/Income from Operations | 457.32 | 531.14 |
| 2 | Segment Results Profit/Loss | | |
| | before tax, interest and Lease/Rental Income from segment | | |
| | a) Software Development | -131.89 | -227.65 |
| | b) Lease/Rental Income | 239.59 | 183.42 |
| | Total | 107.70 | -44.23 |
| | c) other Income | 199.50 | 147.59 |
| | Less:- (i) Interest | 28.76 | 39.31 |
| | Total Profit/Loss Before Tax | 278.44 | 64.06 |
| 3 | Capital Employed | | |
| | a) Software Development | 1556.45 | 1563.83 |
| | b) Lease/Rental Income | 665.84 | 502.55 |
| | Total | 2222.29 | 2066.38 |

CONSOLIDATED CASH FLOW STATEMENT

| | March 31, 2008 Rs. | March 31, 2007 Rs. |
|---|-----------------------|-----------------------|
| A CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit before Tax and Extraordinary items | 27,844,148 | 6,405,684 |
| Adjustment for: | | |
| Depreciation | 6,037,593 | 7,660,113 |
| Profit/Loss on sales of Assets(profit-)(loss+) | -59,000 | 350,385 |
| Foreign exchange | 0 | 0 |
| Investments | 0 | 0 |
| Interest/Dividend received | -661,563 | -431,258 |
| Operating profit before working capital changes | 33,161,178 | 13,984,924 |
| Adjustment for :(increase-)/Dec (+) | | |
| Trade and other Receivables | -473,773 | -462,767 |
| Inventories; Increase(+)/Decrease(-) | 457,768 | 4,154,269 |
| Trade Payables. Increase(+)/Decrease(-) | 283,521 | 4,368,484 |
| Cash generated from Operations | 33,428,694 | 22,044,910 |
| Interest paid | 2,876,154 | 3,930,651 |
| Direct Taxes paid | -6,253,059 | -1,469,361 |
| Cash flow before extra-ordinary items | 30,051,789 | 24,506,200 |
| Extra ordinary items- | 0 | 0 |
| NET CASH FLOW FROM OPERATING ACTIVITIES | 30,051,789 | 24,506,200 |
| B CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of Fixed Assets | -123,829 | -1,189,805 |
| Capital work in progress | -12,742,410 | -1,793,515 |
| Sale of Fixed Assets | 59,000 | 521,887 |
| Acquisition of Companies (as per annexure) | 0 | 0 |
| Purchase of Investments | 0 | -617,500 |
| Sale of Investments | 0 | 0 |
| Interest Received | 661,563 | 431,258 |
| Interest paid -2,876,154 | -3,930,65 | |
| NET CASH USED IN INVESTING ACTIVITIES | -15,021,830 | -6,578,326 |
| C CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from issue of share capital | 0 | 0 |
| Proceeds from Long term borrowings | 0 | 2,000,000 |
| Repayment of financial lease/liabilities | -13,729,648 | -13,979,253 |
| Repayment of Working Capital Loan | 0 | 0 |
| Repayment of Unsecured Loan and HP loans | 0 | -334,230 |
| Dividends paid(Net of reserval of excess provision) | -2,400,000 | -3,600,000 |
| NET CASH FLOW FROM FINANCING ACTIVITIES | -16,129,648 | -15,913,483 |
| Net Increase in cash and cash equivalent (A+B+C) | -1,099,689 | 2,014,391 |
| Cash and cash equivalent at the beginning | 13,587,690 | 11,573,299 |
| Cash and cash equivalent at the close | 12,488,001 | 13,587,690 |
| | -1,099,689 | 2,014,391 |

As per our report of even date attached

For and on behalf of the Board

For S.R.Mohan & Co.,

Chartered Accountants

K. SIVARAMAIAH

Partner M.No.21870

Hyderabad

24th July 2008**G. BALA REDDY**

Managing Director

G. VENKATESWARA RAO

Executive Director

DIRECTORS' REPORT

Your Directors have pleasure in presenting the 8th Annual Report together with the Audited Accounts for the financial year ended 31st March 2008.

REVIEW OF OPERATIONS

During the year under review, the unit is not engaged in any development work.

CHANGE OF MANAGEMENT

Sahasra Investments Pvt Ltd along with its Persons Acting in Concert made an Open Offer of up to 20% of equity shares of SoftPro Systems in November 2007, subsequent to the acquisition of 24,97,870 fully paid equity shares constituting 41.64% of the paid up capital of the company. Subsequent of the said Open Offer, 1450 fully paid-up equity shares and 800 partly paid up equity shares were tendered by the general shareholders. The formalities for the same were completed by the Merchant Bankers to the Open Offer M/s Ind Global (a subsidiary of E & Y) in the month of March 2008.

After the acquisition of additional 20 % stake in SoftPro Systems Ltd through an open offer, Sahasra Investments has taken up management of Softpro Systems as decided by the board of directors of SoftPro Systems on Monday, April 7, 2008. The new management for SoftPro Systems is represented by Mr G Bala Reddy as Chairman and Managing Director, Mrs G V Mary, Director and Mr.G.Venkateswara Rao, Executive Director.

Consequent to the change of management in SoftPro Systems, the incoming new management has taken over the management of SoftPro Technologies Private Limited as well.

DISCLAIMER OF RESPONSIBILITY REGARDING ACCOUNTS

The Balance Sheet and Profit and Loss Account for the year 2007-2008 have been signed by the Incoming Directors of the reconstituted Management formed subsequent to the open offer made by Sahasra Investments Private limited for SoftPro Systems Limited. The present Directors do not take any personal responsibility for any transactions arising out of the same and of the said accounts as such, excepting to state that these were prepared based on the books of accounts and papers available and audited by the Statutory Auditors. Signing and presentation of accounts by the new Management will not preclude the erstwhile management from disclaiming any transactions that are found to be irregular or not in the bonafide interests of the company.

DIVIDEND:

Your Board of Directors do not recommended any Dividend during the year under review on account of there being no revenue generation.

FIXED DEPOSITS:

The company has not invited any Fixed Deposits from the public during the year.

SoftPro Technologies Pvt. Ltd.

INSURANCE:

The Properties and Assets of the company are adequately insured.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217 (2AA) as incorporated by the Companies (Amendment) Act, 2000, in the Companies Act, 1956, your Directors confirm:

1. That in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. That the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are 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 the profit of the Company for the year under review;
3. That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That the Directors have prepared the Annual Accounts on a going concern basis.

DIRECTORS:

Mr.G.Bala Reddy, Mr.G.V.Rao and Mrs.G.Velangini Mary are appointed as appointed as Additional Director on the 7th April 2008 subsequent to the resignation of erstwhile Directors.

Your Directors place on record the commendable services provided by all the resigned Directors representing erstwhile Management of the company.

AUDITORS:

Mr.K.Sivaramaiah, Chartered Accountant resigned as the Auditor on account him joining the firm of M/S. S.R.MOHAN & Co, Chartered Accountants. This casual vacancy has been filled up by the Board by appointing M/S. S.R.MOHAN & Co, Chartered Accountants as Auditors appointed in casual vacancy to hold office upto the ensuing Annual General Meeting. M/S. S.R.MOHAN & Co, Chartered Accountants offer themselves for re-appointment and to hold office from the conclusion of this Annual General Meeting till the conclusion of next Annual General Meeting.

EMPLOYEES:

The information required under section 217(2A) of the Companies Act, 1956, and the rules made there under is given in the annexure to this report and which forms part of this report.

SoftPro Technologies Pvt. Ltd.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

Adequate measures have however been taken to conserve energy. Your company continues to focus on quality upgradation of product and services development. There were no foreign exchanges earnings and outgo during the year under review.

COMPLIANCE CERTIFICATE:

In terms of the proviso to Section 383A of the Companies Act, 1956, Compliance certificate obtained from M/s. Mohan S.Rao Practicing Company Secretary is annexed for the year ended 31st March 2008.

ACKNOWLEDGEMENTS:

Your Directors thank all investors, customers, vendors, banks, and service providers as well as regulatory and government authorities and the erstwhile Management for their support. Your Directors greatly appreciate and thank the significant contributions of Employees in the initiatives of the Company.

By the order of the Board of Directors
for SOFTPRO TECHNOLOGIES PRIVATE LIMITED

SD/-

G.BALA REDDY

Director

Hyderabad
24th July, 2008

SoftPro Technologies Pvt. Ltd.

SECRETARIAL COMPLIANCE CERTIFICATE

Regd No. 01-31773

Nominal Capital: Rs.1,00,00,000

Paid up Capital: Rs. 1,00,00,000

To
The Members
SOFTPRO TECHNOLOGIES Pvt Ltd

I have examined the registers, records, books and papers of **SOFTPRO TECHNOLOGIES Pvt Ltd**, having authorized capital of Rs 100 lacs, as required to be maintained under the Companies Act, 1956, (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March, 2008. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the company, its officers and agents, I certify that in respect of the aforesaid financial year:

1. The company has kept and maintained registers as stated in **Annexure 'A'** to this certificate, as per the provisions and the rules made there under and all entries therein have been duly recorded.
2. The company has duly filed the forms and returns as stated in **Annexure 'B'** to this certificate, with the Registrar of Companies, Regional directors, central government, company law board or other authorities within the time prescribed under the Act and the rules made there under.
3. The company being private limited company, has minimum prescribed paid up capital and its maximum number of members during the said financial year was less than 50 excluding its present and past employees and the Company during the year under scrutiny:
 - (i) has not invited public to subscribe for its shares or debentures; and
 - (ii) has not invited or accepted any deposits from persons other than its members, directors or their relatives.
4. The Board of Directors duly met 5 times on 21.04.2007, 28.06.2007, 26.07.2007, 27.10.2007 and 31.01.2008, in respect of which meetings proper notices were given and the proceedings were properly recorded and signed including the circular resolutions passed in the Minutes Book maintained for the purpose.
5. The company is not required to close its Register of Members and necessary compliance of section 154 of the act has been made.
6. The annual general meeting for the financial year ended on 31st March, 2007 was held on 29.09.2007 after giving due notice to the members of the company and the resolutions passed thereat were recorded in Minutes Book maintained for the purpose.
7. No extra-ordinary general meeting was held during the financial year.

SoftPro Technologies Pvt. Ltd.

8. The Company has not advanced any loans to its directors or persons or firms or companies referred to in Section 295 of the Act is not applicable.
9. The company has not entered into any contracts falling within the purview of Section 297 of the Act.
10. The company has made necessary entries in the register maintained under section 301 of the Act.
11. As per information given to me it appears that there were no instances falling within the purview of Section 314 of the Act, the company has not obtained necessary approvals from the Board of Directors, members or Central Government.
12. (i) The Company has delivered all the certificates on allotment of shares/securities and on lodgment thereof for transfer / transmission or any other purpose in accordance with the provisions of the Act.
(ii) The need to deposit any amount of dividend in a separate Bank Account did not arise. There was no declaration of any dividend was declared during the financial year.
(iii) The company was not required to post warrants to any member of the Company as no dividend was declared during the financial year.
(iv) Transfer of any amount to Investor Education and Protection Fund as required under the provisions of Section 205 C of the Act was not applicable to the Company.
(v) The Company has duly complied with the requirement of Section 217 of the Act.
14. The company has not appointed any managing director/ whole-time director/ manager during the financial year.
15. The Company has not appointed any Sole-selling agent during the financial year.
16. The company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar and/or such other authorities under the various provisions of the Act during the financial year.
17. The directors have disclosed their interest in other firms/ companies to the board of directors pursuant to the provisions of the Act and the rules made there under
18. The Board of Directors of the Company is duly constituted and there was no fresh appointment of directors made during the financial year.
19. The company has not issued any shares, debentures or other securities during the financial year.
20. The company has not bought back any shares during the financial year.

SoftPro Technologies Pvt. Ltd.

21. There was no redemption of preference shares/debentures during the financial year .
22. There were no transactions necessitating the company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The company has not invited or accepted any deposits including any unsecured loans falling within the purview of section 58A during the financial year.
24. The Company has not accepted unsecured loans from other than Directors during the financial year .
25. The company has not made any loans or advances or given any guarantees or provided securities to other body Corporate(s) and consequently no entry has been made in the register kept for this purpose.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's registered office from one state to another during the financial year.
27. The company has not altered the provisions of the Memorandum of Association with respect to the objects of the Company during the year.
28. The company has not altered the provisions of the memorandum with respect to name of the company during the year under scrutiny.
29. The company has not altered the provisions of the memorandum with respect to share capital of the company during the financial year.
30. The company has not altered its Articles of Association during the financial year.
31. There were no prosecutions initiated against or show cause notices received by the company and no fines or penalties or any other punishment was imposed on the company during the financial year, for offences under the Act.
32. The company has not received any money as security from its employees during the financial year.
33. The company has not deducted any contribution towards Provident Fund during the financial year.

Hyderabad
16th July, 2008

Mohan S Rao
Company Secretary in Practise
ACS : 9321, CP : 2456

SoftPro Technologies Pvt. Ltd.

Annexure - A

Registers as maintained by the Company

Statutory Registers

1. Register of Members U/s 150 (1) of the Companies Act, 1956
2. Minutes of Board of Directors and proceedings of General Meetings and copies of Annual returns under Section 163 of the Companies Act, 1956
3. Books of Accounts u/s 209
4. Register of Directors, Managing Director, Manager & Secretary U/s 303(1) of the Companies Act, 1956
5. Register of Directors u/s 307 of the Companies Act, 1956

Annexure - B

Forms and returns filed by the Company with Registrar of Companies, Regional Director, Central Government or other authorities during the financial year ending 31st March, 2007.

| Sl.No. | Form No./ Return | Filled under section | Description | Date of filling | Whether filed within prescribed time Yes/No | If delay in filing whether requisite additional fee paid Yes/No |
|--------|------------------|----------------------|------------------------|-----------------|---|---|
| 1 | Schedule VI | 220 | Balance Sheet | 08.12.2007 | No | Yes |
| 2 | Schedule V | 159 | Annual Return | 28.11.2007 | Yes | N.A. |
| 3 | Form (Rule 3A) | 383A | Compliance Certificate | 28.11.2007 | Yes | N.A. |

Hyderabad
16th July, 2008

Mohan S Rao
Company Secretary in Practise
ACS : 9321, CP : 2456

AUDITORS' REPORT

We have audited the attached Balance Sheet of **SOFTPRO TECHNOLOGIES Pvt Ltd**, (Formerly World Online Pvt Ltd has changed its name on 22nd December 2003) as at 31st March, 2008. 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.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that I 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 management, as well as evaluating the overall financial statement presentation. I believe that our audit provides a reasonable basis for our opinion.

We report that:

- (1) 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;
- (2) In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books.
- (3) The Balance Sheet dealt with by this report are in agreement with the books of accounts.
- (4) In our opinion, the Balance Sheet dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956:
- (5) On the basis of written representations received from the directors of the Company, as at 31st March, 2008, and taken on record by the board of directors We report that none of the directors are disqualified as on March 31, 2008 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- (6) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information as required by the Companies Act, 1956, in the manner so required and the balance sheet gives a true and fair view of the affairs of the Company as at 31st March, 2008 in conformity with the accounting principles generally accepted in India:
- (7) As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956, I enclosed in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

For S.R.Mohan & Co.,
Chartered Accountants

Hyderabad
24th July, 2008

K.SIVARAMAIAH
Partner. M.No.21870

ANNEXURE REFERRED TO IN PARA 7 OF AUDITORS' REPORT OF EVEN DATE :

- i) Fixed assets register were held by the Company.
- ii) The Company has no inventory other than software work in progress..
- iii) The Company has neither granted nor taken any loans secured or unsecured to/from companies, firms or other parties covered in the register maintained Under Section 301 of the Companies Act, 1956.
- iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to the purchase of fixed assets. The activities of the company do not involve sale of goods. There is no continuing failure to correct major weaknesses in internal control system.
- v) In our opinion and according to the explanations given to us there are no transactions that need to be entered into a register in pursuance of section 301 of the Companies Act, 1956.
- vi) The Company has not accepted any deposits from the Public and consequently the provisions of Section 58A, 58AA of the Companies Act, 1956 and the rules made there under are not applicable.
- vii) According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 in respect of services carried out by the Company.
- (viii) a) In our opinion and according to the information and explanations given to us, there are no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, cess and other statutory dues outstanding for a period of more than six months from the date they became payable as at 31st March, 2008 and such payments are generally made regularly.
b) In our opinion and according to the information and explanations given to us, there are no disputes relating to dues of Sales Tax, Income Tax, Service Tax, Customs Duty, Wealth Tax, Excise Duty, Cess.
- ix) The Company has not started earning any revenue so the question of commenting on accumulated losses does not arise.
- x) In my opinion and as per the information and explanations given to me the company has not defaulted in repayment of dues to financial institution, banks and debenture holders.
- xi) In our opinion and as per the information and explanations given to us the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xii) In our opinion and as per the information and explanations given to me the company has not given any guarantee for loans taken by others.
- xiii) In our opinion and as per the information and explanations given to us the company has not taken any term loans.
- xiv) In our opinion and as per the information and explanations given to us there are no transactions of funds raised on short term basis have been used for long term investment.
- xv) In our opinion and as per the information and explanations given to us the company has not made any preferential allotment of shares.
- xvi) As per the information and explanations given to us the company has not issued any debentures.
- xvii) In our opinion and as per the information and explanations given to us the company has not noticed or reported any fraud during the year.
- xviii) The provisions of clause (vii), (xiii), (xiv), (xx) of Para 4 of Companies (Auditors Report) Order, 2003 are not applicable to this company.

For S.R.Mohan & Co.,
Chartered Accountants

Hyderabad
24th July, 2008

K.SIVARAMAIAH
Partner. M.No.21870

SoftPro Technologies Pvt. Ltd.

Balance Sheet as at 31st March, 2008

| | Sch. | As at March 31, 2008 Rs. | | As at March 31, 2007 Rs. | |
|---|------|--------------------------------|-------------------|--------------------------------|-------------------|
| SOURCES OF FUNDS | | | | | |
| Share holder's Funds: | | | | | |
| 1. Share Capital | | | | | |
| Issued, Subscribed and Paid up Capital | I | | 100,00,000 | | 100,00,000 |
| Total : | | | 100,00,000 | | 100,00,000 |
| APPLICATION OF FUNDS: | | | | | |
| Fixed Assets | | | | | |
| Gross Block | V | 15735 | | 15735 | |
| Less : Provision for depreciation | | 9432 | | 6882 | |
| Net Block | | | 6,303 | | 8,853 |
| Current Assets, Loans & Advances | | | | | |
| 1) Inventory : | | | | | |
| Software Work in Progress (Product Development) | II | 22,874,636 | | 22,864,086 | |
| 2) Cash and bank balances | III | 61,533 | | 61,533 | |
| 3) Loans & Advances | | 1,308 | | 1,308 | |
| Sub Total: | | 22,937,477 | | 22,926,927 | |
| Less: Current Liabilities and Provisions | IV | 13,587,168 | | 13,579,168 | |
| Net Current Assets | | | 9,350,309 | | 9,347,759 |
| Misc. Exp. to the extent not written off or adjusted: | | | | | |
| Preliminary Expenses | | | 64,800 | | 64,800 |
| Pre Operative Expenses | | | 578,588 | | 578,588 |
| Total : | | | 10,000,000 | | 10,000,000 |
| Notes on Accounts | VI | | | | |

As per our report of even date attached

For and on behalf of the Board

For S.R.Mohan & Co.,
Chartered Accountants

K. SIVARAMAIAH
Partner M.No.21870

G. BALA REDDY
Director

G. VENKATESWARA RAO
Director

Hyderabad
24th July 2008

SoftPro Technologies Pvt. Ltd.

Schedules Forming part of the Balance sheet as at 31st March 2008

| Schedule | As at March 31, 2008 Rs. | As at March 31, 2007 Rs. |
|---|---|---|
| I. <u>Share Capital:</u> | | |
| <u>Authorised Share Capital</u> | | |
| 10,00,000 Equity Shares of Rs. 10/- each | 100,00,000 | 100,00,000 |
| <u>Issued & Subscribed and Paidup Capital</u> | | |
| 10,00,000 Equity Shares of Rs.10/- each fully paid up of the above shares 932,820 Equity Shares of Rs.10/- each are held by the Holding Company, SoftPro Systems Ltd. | 100,00,000 | 100,00,000 |
| II. <u>Software Work in Progress(Product Development)</u> | | |
| Purchase of Semi Finished Software | 11,378,294 | 11,362,198 |
| Purchase of R & D Work in Progress | 11,485,792 | 11,485,792 |
| Salaries & Benefits | 0 | 737 |
| Business Development Expenses | 0 | 0 |
| Administrative Expenses | 8,000 | 12,809 |
| Depreciation | 2,550 | 2,550 |
| | <u>22,874,636</u> | <u>22,864,086</u> |
| III. <u>Cash and Bank Balances</u> | | |
| Cash in Hand | 977 | 977 |
| Balance with scheduled Bank in Current accounts | 60,556 | 60,556 |
| | <u>61,533</u> | <u>61,533</u> |
| IV. <u>Current Liabilities and Provisions</u> | | |
| Outstanding Liabilities | 13,422 | 13,422 |
| Advances Received | 7,695,105 | 7,687,105 |
| Sundry Creditors | 5,878,641 | 5,878,641 |
| | <u>13,587,168</u> | <u>13,579,168</u> |

V. Fixed Assets Schedule

| GROSS BLOCK | | | | | | DEPRECIATION | | | | NET BLOCK | |
|-------------|-------------------|-------------------------------|----------------------------------|------------------------------------|--------------------------------|----------------------|------------------------|-----------------------------------|-----------------------------|------------------------|------------------------|
| Sl. No. | Name of the Asset | Balance as on 01/04/07 Rs. | Additions during the year Rs. | Sale or adjsts for the year Rs. | Balance as on 31/3/2008 Rs. | Upto 01/04/07 Rs. | During the year Rs. | Sale or Adjts for the year Rs. | Total upto 31/3/2008 Rs. | As on 31/3/2008 Rs. | As on 31/3/2007 Rs. |
| 1 | Computers | 15,735 | 0 | 0 | 15,735 | 6,882 | 2,550 | 0 | 9,432 | 6,303 | 8,853 |
| | Total | 15,735 | 0 | 0 | 15,735 | 6,882 | 2,550 | 0 | 9,432 | 6,303 | 8,853 |

SoftPro Technologies Pvt. Ltd.

Schedule VI

Notes to the Accounts:

1. **Significant Accounting Policies:**

- a) **Accounting Convention:** The financial statements are prepared under the historical cost convention in accordance with applicable accounting standards and relevant presentational requirements under the Companies Act, 1956.
- b) **Fixed Assets & Depreciation:** Fixed assets are stated at cost less depreciation. Cost of Acquisition is inclusive of freight, taxes, and installation. Depreciation is charged as per Straight Line Method (SLM) at the rates prescribed as per Schedule XIV of Companies Act, 1956.
- c) The Company follows completed method of accounting for services rendered. In respect of Software projects and significant products under development Inventory is valued at cost subject to realizable sale value.
- d) The company has developed Software Tools and the directors are confident of the recovery of the full value of software tools and it doesn't need any provision in the books of accounts.

2. The Company formerly known as World Online Pvt Ltd has changed its name as SoftPro Technologies Pvt Ltd on 22nd December 2003.

3. No provision for gratuity is made as none of the employees have completed the qualifying period of service.

4. Foreign Exchange earnings and outgo: NIL

5. **Auditors Remuneration:**

| | 2007-2008 | 2006-2007 |
|----------------------|------------------|------------------|
| Audit fee | 5000 | 5000 |
| Company law services | — | — |
| Service Tax | — | — |
| Total | 5000 | 5000 |

6. Estimated amount of contracts remaining to be executed on capital accounts not provided for is NIL

7. No profit & Loss account is prepared as the company has not earned any revenue and the development works are added to the cost of software development.

8. Disclosure in accordance with Section 22 of Micro, Small and Medium Enterprises Development Act, 2006.

| Sl.No. | Particulars | As at March 31,2008 Rupees. |
|--------|--|--------------------------------|
| a. | Principal amount remaining unpaid and interest due thereon. | Nil |
| b. | Interest paid in term of Section 16 | Nil |
| c. | Interest due and payable for the period of delay in payment. | Nil |
| d. | Interest accrued and remaining unpaid. | Nil |
| e. | Interest due and payable even in succeeding years. | Nil |

SoftPro Technologies Pvt. Ltd.

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.

9. Related party disclosure:

- a) Related party transactions with Softpro Systems Ltd, Holding Company :
- i) An amount of advance Rs. 8000/- is received during the year and an amount of Rs. 76,95,105/- is outstanding as on 31st March 2008.
- ii) Sundry Creditors:- An amount of Rs. 58,78,641/- is outstanding as on 31st March 2008.

Balance Sheet Abstract and Company's general business profile:

a. Registration Details

Registration No: 01-31773 State Code: 01
Balance Sheet Date 31-03-2008

b. Capital Raised during the year (Amount in Rs. Thousands)

| | | | |
|--------------|-----|--------------------|-----|
| Public Issue | NIL | Rights Issue | NIL |
| Bonus Issue | NIL | Private Placements | NIL |

c. Position of Mobilisation and deployment of Funds: (Amount in Thousands)

| | | | |
|-------------------|-------|--------------|-------|
| Total Liabilities | 10000 | Total Assets | 10000 |
|-------------------|-------|--------------|-------|

Source of Fund

| | | | |
|--------------------|-----|-----------------|-------|
| Reserves & Surplus | NIL | Paid up Capital | 10000 |
| Un-secured Loans | NIL | Secured Loans | NIL |

Application of Funds

| | | | |
|--------------------|------|-------------------|-----|
| Net Fixed Assets | 6 | Investments | NIL |
| Net Current Assets | 9350 | Misc. Expenditure | 643 |
| Accumulated losses | NIL | | |

d. Performance of Company (Amount in Thousands)

| | | | |
|------------------------|-----|-----------------------|-----|
| Turnover | NIL | Total Expenditure | NIL |
| Profit/Loss before tax | NIL | Profit/Loss after tax | NIL |
| Earnings per Share Rs. | NIL | Dividend | NIL |

e. Generic Name of three Principal Products/Services of Company

Item Code
Product Description : Software Development

As per our report of even date attached

For and on behalf of the Board

For S.R.Mohan & Co.,

Chartered Accountants

K. SIVARAMAIAH

Partner M.No.21870

Hyderabad

24th July 2008

G. BALA REDDY

Director

G. VENKATESWARA RAO

Director

SOFTPRO SYSTEMS LIMITED

Registered office: Softpro Heights, Plot No.12, Cyberabad, Hyderabad – 500 0081

Dear Members,

Securities & Exchange Board of India (SEBI) has made it mandatory for all the Listed Companies to use the bank account details furnished by the depositories for distributing dividends and other cash benefits, etc. through Electronic Clearing System(ECS) to the investors, wherever ECS and bank details are available. In the absence of ECS facility, the companies should print the Bank Account details, if available, on the payment instrument, for the distribution of dividends and other cash benefits etc. to the investors.

Thus, in light of the above SEBI's Directive, the Company is initiating the process of ECS facility for the payment of dividend, if any, that may be declared by the Company to all those shareholders who are holding shares in dematerialized form, subject however, to the RBI Guidelines as regards availability of ECS facility in different locations.

In case you are still holding the shares in the physical form, we would request you to kindly consider the benefits of dematerialisation and open a De-mat Account with any depository Participant to get your physical shares dematerialized. Till you are holding shares in physical form we also request you to send us the bank mandate by completing and returning the perforated lower portion of this letter along with a photo copy of a cheque or a blank cheque duly cancelled at the Registered Office of the Company or to its Registrar and Transfer Agent i.e. M/s. Venture Capital and Corporate Investments Limited, 12-10-167, Bharat Nagar, Hyderabad - 18

However if, you prefer to get your dividend by way of physical warrants and not opt for ECS, please let us know the name, branch and account number of your bank, if not provided earlier. This will enable us to incorporate such particulars on the dividend warrant to avoid any fraudulent encashment.

Your action in the above matter will help us in serving you better.

Yours truly,

For **Softpro systems Limited**

G. BALA REDDY

Chairman & Managing Director

SOFTPRO SYSTEMS LIMITED

Registered office: Softpro Heights, Plot No.12, Cyberabad, Hyderabad – 500 0081

Folio No.: _____

1. I/We give below the necessary particulars

Bank Account No. :
Name of the Bank :
Name and address of Branch :
Type of Account : Saving /Current
9-Digit Code Number appearing :

| | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|
| | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|

on the clear band area of the
bottom of MICR cheque

2. I/We hereby opt for payment of dividend

· Through physical warrants with name & Account No. of my / our Bank
· Under ECS

(Please tick 3 whichever is applicable)

3. I/We hereby declare that the above particulars are complete and correct. If the transaction is delayed or is not effected at all due to incomplete or incorrect information, I/We shall not hold the Company responsible.

Please: Signature of the First Named Shareholder.
Name of the Shareholder:
Date: Address:

Encl.: A photocopy of the Cheque/blank cheque duly cancelled.

SoftPro Technologies Private Limited

Board of Directors

Mr. G. Bala Reddy - Director (W.E.F. 07.04.2008)
Smt. G. Velangini Mary - Director (W.E.F. 07.04.2008)
Sri. G. Venkateswara Rao - Director (W.E.F. 07.04.2008)

Mr. Krishna Chand Akkineni - Director (Resigned on 07.04.2008)
Mr. A. Mallikharjuna Rao - Director (Resigned on 07.04.2008)
Dr. A. Giridhar Rao - Director (Resigned on 07.04.2008)

Auditor

- S.R.MOHAN & CO
CHARTERED ACCOUNTANTS
1-607, 6th Floor,
Divya Shakti Commercial Complex
Ameerpet, Hyderabad - 500 016.

Bankers

- IDBI Bank
- SBI, Hitec City Branch, Hyderabad

Registered Office

- SoftPro Heights
Plot No.12, Software Units Layout, Cyberabad
Hyderabad – 500 081
Andhra Pradesh
Tel: 040-23112528
E-mail: info@softprotechnologies.com
Website: www.softprotechnologies.com

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SOFTPRO SYSTEMS LIMITED
 Regd. Off: SoftPro Heights, Plot No.12
 Software Units Layout, Cyberabad, Hyderabad – 500 081

PROXY FORM
Seventeenth Annual General Meeting

Folio No. _____ Client ID. _____ DP ID _____

I/We of
 in the district of being a member/members of the above named
 company hereby appoint in the district of
 as my/our Proxy to attend and vote for me/us on my/our
 behalf at the 17th Annual General Meeting of the Company to be held at the conference Hall, 5th Floor,
 SoftPro Heights, Plot No.12, Software Units Layout, Cyberabad, Hyderabad – 500 081 on Thursday, the 28th
 August, 2008 at 12.30 AM and at any adjournment thereof.

*AFFIX
 Re. 1.00
 REVENUE
 STAMP*

Signed at this day of 2008.

Number of Shares held

Note: The form of Proxy, duly signed across Re. 1/- Revenue Stamp should reach the Company not less than 48 hours before the time fixed for the Meeting. The Proxy need not be a member of the Company.



SOFTPRO SYSTEMS LIMITED
 Regd. Off: SoftPro Heights, Plot No.12
 Software Units Layout, Cyberabad, Hyderabad – 500 081

ATTENDANCE SLIP

I hereby record my presence at the 17th Annual General Meeting of the Company to be held at the conference Hall, at 5th Floor, SoftPro Heights, Plot No.12, Software Units Layout, Cyberabad, Hyderabad – 500 081 on Thursday, the 28th August, 2008 at 12.30 AM

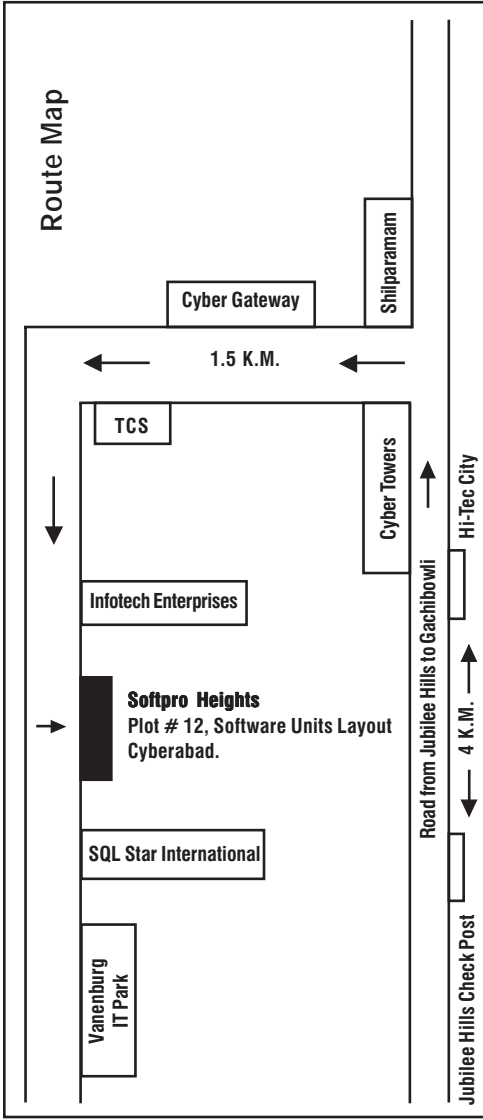
.....
 Full Name of the Shareholder (in block letters) Signature

Folio No/Client ID & DP ID No. of Shares held

.....
 Full Name of the Proxy (in block letters) Signature
 (To be filled if the Proxy attends instead of the Member)

Note: Shareholders attending the Meeting in person or by proxy are requested to complete the Attendance Slip and hand it over at the entrance.

Route Map



Subsidiary Company
SoftPro Technologies Private Limited

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SoftPro Systems Limited

BOARD OF DIRECTORS

| | |
|---------------------------|--|
| Mr. G. BALA REDDY | - Chairman & Managing Director (W.E.F 07.04.2008, AS MD W.E.F 24.07.2008) |
| Mr. G.VENKATESWARA RAO | - Executive Director (W.E.F 07.04.2008, AS ED W.E.F 24.07.2008) |
| Mrs.G.VELANGINI MARY | - Director (W.E.F 07.04.2008) |
| Mrs.G.LALITHA | - Director (W.E.F 24.04.2008) |
| Mr. V. SHYAM SUNDER REDDY | - Director (W.E.F 24.04.2008) |
| Mr. N.VENKATA REDDY | - Director (W.E.F 24.04.2008) |
| Mr. KRISHNACHAND AKKINENI | - Managing Director (RESIGNED ON 07.04.2008) |
| Mr. A. MALLIKHARJUNA RAO | - Executive Director (RESIGNED ON 07.04.2008) |
| Dr. A. GIRIDHAR RAO | - Director (RESIGNED ON 07.04.2008) |
| Mr. A.P. RAO | - Director (RESIGNED ON 07.04.2008) |
| Dr. D. HANUMANTHA RAO | - Director (RESIGNED ON 07.04.2008) |

AUDITORS

- S.R.MOHAN & CO
CHARTERED ACCOUNTANTS
1-607, 6th Floor,
Divya Shakti Commercial Complex
Ameerpet, Hyderabad - 500 016.
-

BANKERS

- AXIS BANK LIMITED
STATE BANK OF HYDERABAD
STATE BANK OF INDIA
-

REGISTERED OFFICE

- PLOT NO.12, SOFTPRO HEIGHTS
SOFTWARE UNITS LAYOUT
CYBERABAD, HYDERABAD – 500 081
E-mail: secretarial@softprosys.com
Visit us at : www.softprosys.com