

ERP SOFT SYSTEMS LIMITED



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ERP SOFT SYSTEMS LIMITED

CORPORATE INFORMATION

Board of Directors

K. Parvathi, M.A, M.Phil
D. S. Reddy B.A. (Hons.)
K. Radha Krishna Reddy
R. Kamala Mohan .
Dr. Srini Ramaswamy, PhD
Mr. Suresh Reddy Bomma, B.Tech
Mr. Pavan Srinivas, ACS

CFO

Shiva Duvvuru FCA, CPA

Compliance Officer

Mrs. R. Kamala Mohan

Auditors

M/s. Vijayaraghavan and Associates

Internal Audit

M/s Ashok Golechha & Co.

Consulting Company Secretary

Mr. T. Murugan B.Sc., ACA. ACS,

Bankers

ICICI Bank Limited

T.Nagar Branch
Bazullah Road
Chennai – 600 017.

Registrars & Transfer Agents

Cameo Corporate Services Limited
Subramanian Building, First Floor
1, Club House Road,
Chennai.

Registered Office

ERP Soft Systems Limited
A-21, Anna Nagar
Chennai 600 102, India

Offices

ERP Soft Systems Limited
Plot No.10 A, Tranquil Nest Buildings
Kamkoti Nagar Main Road
Pallikaranai Chennai 600 100, India
info@erpsoft.com
Phone 44-65554119/ 96770.65917

ERP SOFT SYSTEMS LIMITED

USA

ERP Soft Systems Ltd
103, Charleston Lane,
Little Rock, Arkansas 72223, USA
info@erpsoft.com
Phone 501-960-3302
Fax 206.309.0952

Website

www.erpsoft.com

AGM NOTICE

NOTICE TO MEMBERS

NOTICE is hereby given that the Seventeenth Annual General Meeting of ERP Soft Systems Limited will be held at No.10-A, Tranquil Nest Buildings, Kamakoti Nagar Main Road, Pallikaranai, Chennai 600 100 on Thursday, September 29, 2011 at 11.00 a.m. to transact the following business:

Ordinary Business:

To receive, consider and adopt the Audited Balance Sheet as on March 31, 2011, the Profit and Loss Account for the period April 01, 2010 to March 31, 2011 on that date, and the Reports of the Board of Directors and the Auditors thereon.

1. To appoint a Director in place of Mrs.K.Parvathi, who retires by rotation and, being eligible, offers herself for re-appointment.
2. To appoint a Director in place of Mr. Suresh Reddy Bomma, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr Pavan Srinivas, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint Auditors of the Company and to fix their remuneration.
To consider and, if thought fit to pass with or without modification(s) the following as a special resolution

“RESOLVED THAT M/s VIJAYARAGHAVAN AND ASSOCIATES, Chartered Accountants, be and are hereby appointed as the auditors of the company to hold office until the conclusion of the next Annual General Meeting on such remuneration as may be decided by the board, in addition to reimbursement of out of pocket expenses.”

Order of the Board

Registered Office:
A-21, Anna Nagar
Chennai – 600 102.

September 02, 2011

Sd/-
K. Parvathi
Managing Director.

Notes:

- a. The Register of Members and the Share Transfer Books of the Company will remain closed from September 17, 2011 to September 29, 2011, both days inclusive.
- b. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF ON A POLL ONLY AND THAT A PROXY NEED NOT BE A MEMBER.
- c. The instrument appointing proxy should be deposited at the Corporate Office at Pallikaranai of the Company not less than 48 hours before the commencement of the meeting.
- d. The members/proxies are requested to bring duly filled in Attendance Slips sent herewith for attending the meeting.
- e. The members are requested to notify promptly any change in their addresses to the Company's Registrars and Transfer Agents.
- f. The members seeking any information with regard to accounts are requested to write to the Company at an early date to enable the Management to keep the information ready.

ADDITIONAL INFORMATION PURSUANT TO CLAUSE 49-VI OF THE LISTING AGREEMENT

DETAILS OF DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT AT THE FORTHCOMING ANNUAL GENERAL MEETING:

Mrs. K. Parvathi
Chairman and Managing Director

Mrs. K. Parvathi is responsible for providing vision and direction to the board and has management responsibility at ERP Soft. She has more than 25 years of IT experience which includes her association with prominent IT Service Providers. Parvathi holds Post graduation and Master of Philosophy (M. Phil) from Madras University.

Directorship in other companies	ProtechSoft Systems Pvt Ltd
Chairmanship in committees of board of other companies	Nil
Membership in committees of board of other companies	Nil

Mr. D.S. Reddy
Director

Mr. D.S. Reddy has decades of industry experience including business, management, economic analysis, financial resource mobilization, financial planning apart from promotion and management of IT companies. Mr. Reddy holds a Masters in Economics from Madras University.

Mr. K. Radhakrishna Reddy
Director

Mr. Radha Krishna Reddy has decades of experience as entrepreneur and in managing business and operations.

Mrs. R. Kamala Mohan
Director-Independent/Non-Executive Director

Mrs. R. Kamala Mohan has over two decades experience in working as company executive in charge of finance, administration and client support. Board places on her the responsibility to see that Investor's concerns are attended to immediately. Kamala manages investor protection and grievance redresses at a fast pace and she has ensured that grievances are attended to within forty eight hours at the maximum

Directorship in other companies	Nil
Chairmanship in committees of board of other companies	Nil
Membership in committees of board of other companies	Nil

Dr. Srinivas Ramaswamy
Chief Technology Advisor Independent / Non Executive Director

Dr. Srinivas Ramaswamy is Chief Technology Advisor to ERP Soft. His career spans over two decades of rich technology expertise in global IT enterprises. He provides direction to various large and medium companies in public and private sector in United States. He has been associated with various Technology advisory committees. His research work has been funded by several companies, state and federal agencies such as the National Science Foundation. He has also been involved with the development of several successful start up ventures. His domain experience includes Technology analysis, planning, management, architecture and execution.

Directorship in other Indian companies	Nil
Chairmanship in committees of board of other companies	Nil
Membership in committees of board of other companies	Nil

ERP SOFT SYSTEMS LIMITED

Mr. Pavan Srinivas

Company Secretary – Independent / Non-Executive Director.

Mr. Pavan Srinivas has rich experience in handling corporate, financial and legal compliance. He takes the total responsibility of ensuring financial and legal compliance of the organization. He manages the comprehensive corporate communication channels between board of directors and shareholders on all aspects of corporate governance. Being a professional Company Secretary, Srinivas is able to provide much needed guidance and support in ensuring corporate governance which is of utmost importance to ERP Soft.

Directorship in other Indian companies	Nil
Chairmanship in committees of board of other companies	Nil
Membership in committees of board of other companies	Nil

Mr. Suresh Reddy Bomma

Director-Independent / Non-Executive Director

Mr. Suresh Reddy is highly skilled in high technology areas that include multi media. Web and video solutions, Web media, cable technology, infrastructure solutions. He has over 20 years of experience in leading innovation. He is a US returned NRI and he is the promoter of innovative web centric offerings like Bomma.TV and several more in the offing. Suresh Reddy will provide direction and guidance for building technology infrastructure and channel offering of ERP Soft. Suresh Reddy holds Bachelors in Technology from S.V. University.

Mr. Suresh Reddy Bomma was appointed as additional director of the company during the year 2009-10 and he retires at the AGM to be held on September 30th 2010. Being eligible he offers himself for being appointed as director at the AGM.

Directorship in other Indian companies	Bomma Media Pvt Ltd	I
Chairmanship in committees of board of other companies	-same as above-	
Membership in committees of board of other companies	-same as above-	

ERP SOFT SYSTEMS LIMITED

DIRECTORS' REPORT

Dear Shareholders,

The Directors take great pleasure in presenting their report on the business and operations of your Company along with the Annual Report and audited financial statements for the period April 01, 2010 to March 31, 2011.

FINANCIAL PERFORMANCE

Key aspects of your Company's financial performance for the year 2010-11 are tabulated below:

(In Rupees)

	Consolidated		Parent	
	2010 – 2011	2009 - 2010	2010- 2011	2009 -2010
Sales and other income	3,27,45,841	3,02,57,159	46,76,496	52,83,566
Profit before tax	44,48,265	47,06,368	18,68,678	26,93,935
Provision for tax	5,44,864	3,79,570	5,44,864	3,79,570
Profit for the year	39,03,401	43,26,798	13,23,814	23,14,365
Accumulated losses carried forward	0	0	0	0
Appropriations :	0	0	0	0
Interim Dividend	0	0	0	0
Proposed dividend	0	0	0	0
Transfer to reserves	39,03,401	43,26,798	13,23,814	23,14,365

SUBSIDIARY COMPANIES

100% Subsidiary company, Libertycom LLC in USA. It is focusing on ERP, Business Intelligence, BPO and IT consulting services. The financial statements of the subsidiary are enclosed at the end of this annual report.

CONSOLIDATED RESULTS

Our Consolidated Sales for the current year have increased by Rs.30,59,205/- and profit for the same period have decreased by Rs.3,48,397/-

CORPORATE GOVERNANCE

Corporate Governance will continue to be Board's responsibility.

The Code of Ethics and Business Conduct of the Company is based on the following fundamental principles:

- 1) Lay solid foundations for management
- 2) Structure the Board to add value
- 3) Promote ethical and responsible decision-making
- 4) Safeguard integrity in financial reporting
- 5) Make timely and balanced disclosures
- 6) Recognize and manage business risks
- 7) Respect the rights of the shareholders
- 8) Encourage enhanced performance
- 9) Remunerate fairly and responsibly
- 10) Recognize the legitimate interest of the stakeholders
- 11) Legal and Statutory compliance

As in the past year separate committees for Audit, Protection of Member's interest are constituted. A separate report on Corporate Governance, along with a certificate of Statutory Auditors of the Company, is annexed herewith.

A certificate from the Managing Director and CFO of the Company confirming internal controls and checks pertaining to financial statements for the period April 01, 2010 to 31 March, 2011 was placed before the Board of Directors and the Board has noted the same.

A list of the committees of the Board and names of their members is given below. The scope of each of these committees and other related information is detailed in the enclosed Corporate Governance Report.

a) Composition of the Audit Committee along with the Independent status

- 1) Mr. Pavan Srinivas, ACS
Chairman, Audit Committee-
Independent Director
Non-Executive
Professional Company Secretary
- 2) Mrs. R. Kamala Mohan,
Member, Audit Committee
Independent Director
Non-Executive
- 3) Mr. Shiva Duvvuru, FCA, CPA
Member, Audit Committee
Executive
Non-Independent Director
Certified from Institute of Chartered Accountants of India
Certified from American Institute of Certified Public Accountants
Certified from Information Systems Audit & Control Association (ISACA)

b) Composition of the Shareholders / Investors Grievance Committee

- 1) Mrs. R. Kamala Mohan,
Chairman, Investors Grievance Committee
Independent Director
Non-Executive
- 2) Mr. Pavan Srinivas, ACS
Member, Investors Grievance Committee
Independent Director
Non-Executive
Professional Company Secretary

HUMAN RESOURCES

Employees are the key assets of the Company and the Company has created a healthy and productive work environment which encourages excellence. Your Company continuously invests in training staff in the latest technology trends and in various sub-verticals within the financial services domain. The Knowledge Process Outsourcing business of the Company is in an investment mode.

EMPLOYEE STOCK OPTION PLANS

No employee was issued Stock Option, during the year equal to or exceeding 1% of the issued capital of the Company.

FOREIGN EXCHANGE EARNINGS AND OUTGOINGS

During the year our Company earned foreign exchange inflow of Rs.26.43 Lacs and the outgoings in foreign exchange were Nil.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, the relevant data pertaining to conservation of energy and technology absorption are furnished hereunder:

CONSERVATION OF ENERGY

The operations of the Company are not energy-intensive. The Company, however, takes measures to reduce and optimize energy consumption by using energy efficient computers etc. Further, offices have been designed to maximize the use of ambient lighting while conserving the air conditioning. The expense on power in relation to income is nominal and under control.

TECHNOLOGY ABSORPTION

Since businesses, process and technologies are changing constantly, investment in research and development activities is of great importance. Your Company lays a great importance on knowledge management and has a process for absorption of new technologies. Your Company continued its focus on quality up-gradation of the software development process and software product enhancements.

MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

The Management Discussion and Analysis Report on Company's performance , industry trends and other material changes with respect to the Company and its subsidiaries, wherever applicable are presented that forms part of this annual report.

RE-APPOINTMENT OF STATUTORY AUDITOR

M/s Vijayaraghavan and Associates, the present Statutory Auditors of the Company, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office, if re-appointed.

FIXED DEPOSITS

We have not accepted any fixed deposits. Hence, there is no outstanding amount as on the Balance Sheet date.

ACKNOWLEDGEMENTS AND APPRECIATION

Your Directors take this opportunity to thank the customers, shareholders, suppliers, bankers, financial institutions and Central and State Governments for their consistent support to the Company.

Your Directors also place on record their appreciation for the excellent contribution made by all employees of ERP Soft Systems Limited through their commitment, competence, co-operation and diligence to duty in achieving consistent growth for the Company.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies Act, the Directors hereby confirm that:

- i. In the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures is made from the same;
- ii. We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year and of the profits of the Company for the period;
- iii. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv. We have prepared the annual accounts on a going concern basis.

PROSPECTS

ERP Soft is focusing in IT consulting and IT services. The strategy has been to bring on board experienced employees and or partners with decades of experience. The company is confident of substantial growth in the next three years.

Disclosure of Particulars of employees forming part of directors report pursuant to Section 217(2A) of the Companies Act, 1956 and the companies (Particulars of Employees) Rules, 1975

During the year no employee, had drawn salary in excess of the amounts prescribed under section 217(2A) of the Companies Act, 1956.

Disclosures of particulars in compliance with Clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme) and (Employee Stock Purchase Scheme) Guidelines, 1999

No employee was issued Stock Option, during the year equal to or exceeding 1% of the issued capital of the Company.

For and on behalf of the Board of Directors,

**Sd/-
K.Parvathi
Managing Director**

Chennai, September 02,2011.

ERP SOFT SYSTEMS LIMITED

ANNEXURE TO DIRECTORS' REPORT

To
The Board of Directors
ERP Soft Systems Limited
Chennai.

This is to certify that:

- (a)** We have reviewed financial statements and the cash flow statement of ERP Soft Systems Limited ("the Company") for the quarter and year ended March 31, 2011 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 period which are fraudulent, illegal or violative of the Company's code of conduct.
- (c)** We accept responsibility for establishing and maintaining internal controls and have evaluated the effectiveness of the internal control systems of the Company, and have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware of 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:
 - (i)** Significant changes in internal controls during the period, if any;
 - (ii)** Significant changes in accounting policies during the period, if any; and that the same have been disclosed in the notes to the financial statements; and
 - (iii)** Instances of significant fraud of which we have become aware of and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system.

For ERP SOFT SYSTEMS LIMITED

Sd/-
K. Parvathi
Managing Director

Sd/-
D.S. Reddy
Director

Chennai, September 02,2011.

COMPLIANCE CERTIFICATE

CIN: L67120TN1994PLC029563

To

The Members

M/s. ERP SOFT SYSTEMS LIMITED,

A21, Anna Nagar,

Chennai-600 102

I have examined the registers, records, books and papers of M/S ERP SOFT SYSTEMS LIMITED, (the Company) as required to be maintained under the Companies Act, 1956, (the act) and the rules made thereafter and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended 31st March, 2011. In my opinion and to the best of my information and according to the examinations carried out by me and my 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 all registers as stated in Annexure 'A' to this certificate as per the provisions and the rules made there under and all entries 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 Director, Central Government, Company Law Board or other authorities with in the time prescribed under the Act and the rules made there under or otherwise with additional fees for late filing of forms/returns under the Act and the rules made there under.
3. The company being a public limited company, the provisions of section 3(1) (iii) are not applicable to this company.
4. The Board of Directors duly met 5 times on 13-04-2010, 29-08-2010, 4-9-2010, 13-10-2010 and 17-1-2011 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed including the circular resolutions passed in the minute's book maintained for the purpose.
5. The company has not opted to close its Register of Members during the period under review.
6. The Annual General Meeting for the year ended on 31st March, 2010 was held on 30th September, 2010 after giving due notice to the members of the members of the company and the resolutions passed thereat were duly recorded in the minutes book maintained for the purpose.
7. One Extra-Ordinary General Meeting was held on 4-10-2010 during the financial year under review, the provisions of the Act compliance with .
8. The company has not advanced any loans to its directors as referred in section 295 of the Act or as per the Articles of Association of the company.
9. The company has not entered into any contracts falling within the purview of Section 297 of the Act

ERP SOFT SYSTEMS LIMITED

10. The company has made necessary entries in the Register maintained under section 301 of the Act.
11. As there were no instances falling within the purview of section 314 of the Act.
12. The Company has not issued any Duplicate Share Certificate during the financial year.
13. The Company has:
 - (i) transferred shares during the financial year under review, the provisions of the Act complied with.
 - (ii) not deposited any amount in a separate bank account as no dividend was declared during the financial year;
 - (iii) not paid /posted warrants for dividends to all the members as no dividend was declared during the financial year;
 - (iv) not transferred the amounts in unpaid dividend account , application money due for refund ,matured deposits , matured debentures and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years to Investor Education and Protection Fund , as no dividends were declared;
 - (v) Duly complied with the requirements of section 217 of the Act.
14. The Board of Directors of the company is duly constituted and the appointment of Directors, Additional Directors, Alternate Directors and Directors to fill casual vacancies have been duly made.
15. There was appointment of Managing Director during the financial year under review, the provisions of the Act complied with.
16. The company has not appointed any sole-selling agents during the financial year.
17. The company was not required to obtain any approval from the Central Government, Company Law Board, Regional Director, Registrar or such other authorities as may be prescribed under the various provisions of the Act.
18. The Directors have disclosed their interest in other firms /companies to the Board of Directors pursuant to the provisions of the Act and Rules made there under.
19. The Company has not issued any shares/debentures /other securities during the financial year.
20. The Company has not bought back shares during the financial year.
21. There was no redemption of any preference shares /debentures during the financial year.
22. There were no transactions necessitating the company to keep in abeyance the rights to dividends, rights shares, and bonus shares pending registration of transfers of shares in compliance of the Act.
23. The Company has not invited / accepted any deposits including any unsecured loan or advances falling with in the purview of sec.58A and 58AA read with the Companies (Acceptance of Deposit) Rules, 1975.
24. The Company has not borrowed any money as envisaged under Section 293 (1)(d) of the Act.
25. The company has made inter-corporate loans or investments, nor given any guarantee or security to any body corporate as envisaged under Section 372A of the Act.
26. The Company has not altered the provisions of Memorandum of Association with respect to the situation of the company's registered office from one state to another during the year under scrutiny.

ERP SOFT SYSTEMS LIMITED

27. The Company has not altered the provisions of Memorandum of Association with respect to the objects of the company during the year under scrutiny.
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 Memorandum of Association with respect to share capital of the company during the year under scrutiny.
30. The Company has not altered its Articles of Association during the financial year under scrutiny.
31. There was no prosecution initiated against the company for alleged offences under the Act and not received show cause notices.
32. The company has not received any money as security from its employees during the year.
33. The company was not covered under the Provident Fund Act pursuant to section 418 of the Act.

Place: Chennai
Date: 02 -09-2011

Signature
Name of Company Secretary: T.Murugan
C.P.No.4393

Annexure A

Registers maintained by the Company

1. Register of Members
2. Register of Directors.
3. Register of Directors' Shareholding.
4. Register of Transfers.
5. Declaration of Interest.
6. Minutes of Board Meetings.
7. Minutes of General Body Meeting.
8. Attendance Register of Board Meetings

Annexure B

1. Form 66 (31-03-2010) filed on 14-10-2010 SRN: P54561337
2. Form 23AC & ACA (31-03-2010) filed on 14-10-2010 SRN: P54562079
3. Form 20B (30-09-2010) filed on 14-10-2010 SRN: P54562681
4. Form 23 filed on 3-11-2010 SRN A97376685
5. Form 32 filed on 13-11-2010 SRN A98069214

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

OVERVIEW

ERP Soft Systems Ltd is in the business of ERP, IT consulting and BPO.

IT SERVICES & CONSULTING

Your Company is focused on ERP solutions like SAP, PeopleSoft, Oracle Apps, Data Warehousing and ETL, Business Intelligence technologies. IT consulting services is seeing increased demand due to market revival. Per latest statistics from corp-corp.com market is expected to grow by 7% for IT consulting.

BPO SERVICES

Health Reforms of Obama government will give boost to Healthcare IT. ERPSOFT is associating with partners who have domain expertise to tap EMR market.

OPPORTUNITIES AND THREATS

Consulting services are offered in the areas of ERP, BI areas. The focus is helping the company but however as the consulting rates for these services are high these assignments tend to be short term in length.

BUSINESS PERFORMANCE

Our total revenues in for the year ended March 31, 2011 were Rs.3,27,45,841/- representing an increase of Rs.24,88,682/- from Rs.3,02,57,159/- in F.Y. 2009-10. The net income for the year ended March 31, 2011 was Rs.44,48,265/- against Rs.47,06,368/- in F.Y. 2009-10. Our net income margins reduce to 5% for the current year.

REVENUE

Our revenue from services represented 100% of the total revenues for both the financial years ended March 2011 and March 31, 2010. The services revenue were Rs.3,27,45,841/- for the year ended March 31, 2011, a increase of Rs.24,88,682/- from Rs.3,02,57,159 in the year ended March 31, 2010.

COST OF SERVICES REVENUE AND OPERATING EXPENSES

The cost of revenues for services consists primarily of compensation expenses for our software professionals etc. We recognize these costs as incurred. Our operating expenses include general and administrative expenses and allocated overhead expenses associated with human resources, management information systems and finance.

GEOGRAPHIC BREAKUP OF REVENUES

The following table represents the percentage breakup of our revenues for IT Services and BPO services business by region:

	Year ended March 31, 2011			Year ended March 31, 2010		
	IT	BPO Services	Total revenues	IT	BPO Services	Total revenues
North Americas (USA)	86%	14%	100%	86%	14%	100%
Europe	0%	0%	0%	0%	0%	0%
Asia	0%	100%	0%	0%	100%	100%
Middle East	0%	0%	0%	0%	0%	0%
India	0%	0%	0%	0%	0%	0%
Africa	0%	0%	0%	0%	0%	0%
Latin America and Caribbean	0%	100%	100%	0%	100%	100%

TRADE RECEIVABLES

Trade receivables as of March 31, 2011 and March 31, 2010 were Rs.3,56,76,317/- and Rs.3,16,49,779/- respectively. The Company periodically reviews its account receivables outstanding as well as the aging quality of the account receivable of the client. The following table presents the age profile of our sundry debtors.

Period in days	Year ended March 31,	
	2011	2010
0-180	53%	69%
More than 180	47%	31%
Total	100%	100%

INCOME TAXES

Benefit from the tax holidays the Government of India has expired. However your company was paying Minimum Alternate Tax as that was higher than regular tax. Now the company will be able to claim credit for MAT paid in earlier years from regular tax.

RISKS AND CONCERNS

Our primary risk exposures are due to (a) foreign exchange rate fluctuations, principally relating to the fluctuation of the US Dollar to the Indian Rupee (b) fluctuations in interest rates and (c) fluctuations in the value of our investments.

100% of our revenues is generated in foreign currencies. Our functional currency for Indian operations is the Indian Rupee. We expect that the majority of our revenue will continue to be generated in foreign currencies.

In addition, we face business risks such as global slowdown, slow recovery, immigration rules, increased cost of doing business.

OUTLOOK

There are several key opportunities for ERP Soft. Emerging areas such as Healthcare and revival of IT consulting services will help the company in its growth path.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company has in place adequate systems of internal control and documented procedures covering all financial and operating functions. These systems have been designed to provide reasonable assurance with regard to maintaining proper accounting controls, monitoring economy and efficiency of operations, protecting assets from unauthorized use or losses and ensuring reliability of financial and operational information. The Company continuously aligns all its processes and controls with global best practices.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

AUTHORISED SHARE CAPITAL

The Company has an authorized share capital of Rs.450Lacs, comprising 45.00Lacs equity shares of Rs.10/- each as of March 31, 2011.

PAID UP SHARE CAPITAL

The Company has a paid up capital of Rs.396Lacs, comprising 39.60Lacs equity shares of Rs.10/- each as of March 2011.

RESERVES AND SURPLUS

PROFIT AND LOSS ACCOUNT

The company had accumulated profits carried forward from previous year of *Rs.43,26,798/-* which was decreased with the profit for the year and the amount standing to the credit of profit and loss account is *Rs.40,99,265/-* as on March 31, 2011.

FIXED ASSETS

ADDITIONS TO FIXED ASSETS

During the year, the Company has invested Rs.6,68,920/-- on Fixed Assets.

DEPRECIATION

The Company has provided depreciation on straight line basis at the rates specified in Schedule XIV of the Companies Act, 1956.

INVESTMENTS

Surplus cash generated by operations are invested in short term mutual fund units, shares, partnership firms, companies. Investments have decreased from *Rs.51,899,072/-* in F.Y.2009-2010 to *Rs. 51,855,034/-* for the year ended March 31, 2011.

CURRENT ASSETS, LOANS & ADVANCES CASH & BANK BALANCE & CURRENT LIABILITIES & PROVISIONS

Have increased from Rs.3,16,49,559/- for the year ended 31st March 2010 to Rs.3,62,79,830/- in the year March 2011.

REVENUES

Our IT & BPO services revenue is Rs. 3,26,01,403/-

Based on geographical destination, 100% of our revenue came from the Americas as our global destination is Americas only.

COST OF REVENUES

Our cost of revenue for the year ended March 31, 2011, was Rs.2,19,10,686/- a increase of Rs.37,08,000/- over cost of revenue of Rs.1,82,02,686/- in the year ended March 31, 2010. Our cost of revenue as a percentage of total revenue was 66.91% for the year ended March 31 2011 to 60.16% in March 31, 2010. These changes can't attributed to the focus our company is giving to Health Industry IT and progressive reduction of effort in other areas.

INDIRECT EXPENSES

Our indirect expenses for the year ended March 31, 2011, were Rs.63,86,890/-, a decrease of Rs.9,61,215/- below of Rs.73,48,105/- in the fiscal year ended March 31, 2010. Our indirect expenses as a percentage of total revenue for the year ended March 31, 2011, decreased by 13% below financial year ended March 31, 2010.

LIQUIDITY AND CAPITAL RESOURCES

We expect that our primary financing requirements in the future will be capital expenditure and working capital requirements in connection with the expansion of our business.

We believe that cash generated from operations will be sufficient to satisfy our currently foreseeable capital expenditure and working capital requirements.

For and on behalf of the Board of Directors,

Sd/-
K. Parvathi
Managing Director

Chennai, September 02,2011.

REPORT ON CORPORATE GOVERNANCE 2010-11

COMPANY PHILOSOPHY

The company believes good governance is an essential ingredient of good business. Good governance and good business means decision making, accountability, responsiveness, transparency, effectiveness and efficiency among others.

ANNUAL GENERAL MEETING

Annual General Meeting for the year ended March 31,2011 is scheduled on September 29, 2011, at 11.00 AM. The meeting will be conducted at **“Tranquil Nest” Plot No. 10 A, Kamakoti Nagar Main Road Pallikaranai Chennai – 600 100.**

For those of you, who cannot make it to the meeting, please remember that you can appoint a proxy to represent you in the meeting. For this you need to fill in a proxy form and send it to us. The last date for receipt of proxy forms by us is September 24, 2011, before 11.00 AM

ANNUAL GENERAL MEETINGS AND OTHER GENERAL BODY MEETING OF EARLIER YEARS

For the year **2003-04**, we had our Annual General Meeting on October 30, 2004 at 11.00 AM. The venue for the meeting was A-21, Anna Nagar, and Chennai 600102. In that meeting no Special resolutions were passed.

For the year **2004-05**, we had our Annual General Meeting on December 30, 2005 at 11.00 AM. The venue for the meeting was A-21, Anna Nagar, and Chennai 600102. In that meeting no Special resolutions were passed.

For the year **2005-06**, we had our Annual General Meeting on December 27, 2006 at 11.00 AM. The meeting was held at A-21, Anna Nagar, and Chennai 600102. In that meeting no Special resolutions were passed.

For the year **2006-07**, we had our Annual General Meeting on December 24, 2007 at 11.00 AM. The meeting was held at A-21, Anna Nagar, and Chennai 600102. In that meeting no Special resolutions were passed.

For the year **2007-08**, we had our Annual General Meeting on December 29, 2008 at 11.00 AM. The meeting was held at A-21, Anna Nagar, and Chennai 600102. In that meeting no Special resolutions were passed

For the year **2008-09**, we had our Annual General Meeting on September 28, 2009 at 11.00 AM. The meeting was held at “Tranquil Nest” Plot No. 10-A, Kamakoti Nagar Main Road, Pallikaranai, and Chennai 600100. In that meeting no Special resolutions were passed

For the year **2009-10**, we had our Annual General Meeting on September 30, 2010 at 11.00 AM. The meeting was held at “Tranquil Nest” Plot No. 10-A, Kamakoti Nagar Main Road, Pallikaranai, and Chennai 600100. In that meeting no Special resolutions were passed

FINANCIAL YEAR

Our tentative calendar for declaration of results for the year ended March 31, 2011 is as given below:

Calendar for Reporting

Quarter ending	Release of results
For the quarter ending Third week of June 2010	10.08.2010
For the quarter and half year ending September 30, 2010	28.10.2010
For the quarter nine months ending December 31, 2010	14.02.2011
For the Annual Audited Results for the year ended March 31, 2011	30.05.2011

INTERIM DIVIDEND AND FINAL DIVIDEND

No dividends are declared by Board of Directors hence record date for the purpose of payment of dividend was not fixed.

DATE OF BOOK CLOSURE

Our Register of members and share transfer books will remain closed from September 17th, 2011 to September 29th, 2011 (both days inclusive).

MEANS OF COMMUNICATION WITH SHAREHOLDERS

We have established the procedures in a planned manner, the relevant information to our shareholders, employees etc. Our Audit Committee reviews the press releases, annual and quarterly reports of the Company, before they are presented to the Board of Directors for their approval for release.

Our notices, intimation of board meetings, quarterly results, half yearly results, results for nine months ended, annual results are published in national newspapers such as The News Today and regional news papers like the Maalai Sudar. Our results, news releases and presentations are now being posted on the Company's website at www.erpsoft.com

We also created investorcare@erpsoft.com for effective investor care and protection and redressal of any grievances.

Means of communications	Number of times
Publication of results	4

LISTING ON STOCK EXCHANGES

Your Company's shares are listed in the following exchanges as of March 31, 2010 and the stock codes are

Stock codes

Equity shares	Stock Codes
Bombay Stock Exchange Limited (BSE)	530909
Madras Stock Exchange Limited (MSE)	ERPSOFTSYS

ERP SOFT SYSTEMS LIMITED

Listing on BSE is in Z category and trading is suspended due to non filing of returns several years ago. However your company has been in good compliance for the past several years and hence has requested the exchange for revoking of suspension and the discussions are in advanced stage.

CORPORATE IDENTITY NUMBER (CIN)

Our Corporate Identity Number (CIN), allotted by Ministry of Corporate Affairs, Government of India is **U67120TN1994PLC029563** and our Company Registration Number is 29563. Our Company is registered in the State of Tamilnadu, India.

SHARE TRANSFER SYSTEM

Your Board has delegated the power of share transfer to Registrar and Share Transfer Agents - M/s. Cameo Corporate Services Limited. The turnaround time for completion of transfer of shares in physical form is generally less than 7 days from the date of receipt, if the documents are clear in all respects. Company has established Demat facility with NSDL.

ADDRESS FOR CORRESPONDENCE

All correspondence relating to the shares of the Company should be addressed to Cameo Corporate Services Limited at the address given below:

Cameo Corporate Services Limited.

Subramanian Building, 1st Floor
1, Club House Road, Chennai
Tel: 044 28460390
Fax: 044 28460129
Email id: cameo@cameoindia.com
Contact person: Mr. R.D. Ramaswamy.

For Correspondence with the company,

ERP Soft Systems Limited

Corporate Office:
Plot No. 10-A, Tranquil Nest Buildings
Kamkoti Nagar Main Road
Pallikaranai Chennai – 600 100.
Tel: 91-95662.40685 (O)
Email: investorcare@erpsoft.com

DESCRIPTION OF VOTING RIGHTS

All our shares carry voting rights on a pari-passu basis.

DISTRIBUTION OF SHAREHOLDING AND CATEGORIES OF SHAREHOLDERS

Category	March 31, 2011				March 31, 2010			
	<i>No of share holders</i>	<i>% to shares</i>	<i>No of shares</i>	<i>% to Total equity</i>	<i>No of share holders</i>	<i>% to shares</i>	<i>No Of shares</i>	<i>% to Total Equity</i>
<i>0-5000</i>	160	81.22	79400	2.00	180	82.19	88000	2.22
<i>5001-10000</i>	14	7.10	133700	3.37	15	6.85	142800	3.61
<i>10001-20000</i>	5	2.54	98100	2.47	5	2.28	99200	2.51
<i>20001-30000</i>	0	0.00	0	0	0	0.00	0	0
<i>30001-40000</i>	0	0.00	0	0	0	0.00	0	0
<i>40001-50000</i>	1	0.50	50000	1.26	1	0.46	50000	1.26
<i>50001-100000</i>	5	2.53	521800	11.91	7	3.20	596800	15.07
<i>100001 and above</i>	12	6.09	3127000	78.96	11	5.02	2983200	75.33
<i>Total</i>		100		100		100		100

CATEGORIES OF SHAREHOLDERS

Category code	Category of Shareholders	Number of share-holders	Total number of shares	Number of shares Held In dematerialized form	Total shareholding as a Percentage of total Number of shares	
					As a percentage of (A+B)	As a percentage of (A+B+C)
(A)	Shareholding of promoter and					
(1).	Indian					
(a)	Individuals/ Hindu Undivided Family	12	2020700	1600000	51.03	51.03
(b)	Central Government/ State Governments	0	0	0	0	0
(C)	Bodies Corporate	0	0	0	0	0
(d)	Financial Institutions/Banks	0	0	0	0	0
(e)	Any Other (Specify)	0	0	0	0	0
	Sub-Total (A)(1)	12	2020700	1600000	51.03	51.03
(2).	Foreign					
(a)	Individuals (Non-Resident Individuals/ Foreign Individuals	0	0	0	0	0
(b)	Bodies Corporate	0	0	0	0	0
(C)	Institutions	0	0	0	0	0
(d)	Any Other (Specify)	0	0	0	0	0
	Sub-Total (A)(2)	0	0	0	0	0
	Total Shareholding of promoter And promoter Group (A)=(A)(1)+(A)(2)	12	2020700	1600000	51.03	51.03

Category code	Category of shareholders	Number of share-holders	Total number of shares	Number of shares Held in dematerialized form	Total shareholding as a percentage of total number of shares	
					As a percentage of (A+B)	As a percentage of (A+B+C)
(B)	Public Shareholding					
(1).	Institutions					
(a)	Mutual Funds/ UTI					
(b)	Financial Institutions/ Banks					
(C)	Central Government/ State Governments					
(d)	Venture Capital Funds					
(e)	Insurance Companies					
(f)	Foreign institutional Investors					

ERP SOFT SYSTEMS LIMITED

(g)	Foreign Venture					
	Capital Investors					
(h)	Any Other (Specify)					
	Sub-Total (B)(1)					
(2).	Non-Institutions					
(a)	Bodies Corporate	1	345100	0	8.71	8.71
(b)	Individuals-					
i	Individual Shareholders					
	holding nominal share					
	capital up to Rs.1 Lakh	172	279200	0	7.05	7.05
ii	Individual Shareholders					
	holding nominal share					
	capital in excess Rs.1 Lakh	5	1283000	0	32.40	32.40
(c)	Any Other (Specify)					
	Non-Resident					
	Individuals	7	32000	0	0.81	0.81
	Sub-Total (B)(2)	185	1939300	0	48.97	48.97
	Total Public					
	Shareholding					
	(B)=(B)(1)+(B)(2)	185	1939300	0	48.97	48.97
	TOTAL (A)+(B)	197	3960000	0	100	100
(C)	Shares held by					
	Custodians and against					
	Which Depository					
	Receipts have been					
	Issued	0	0	0	0	0
	GRAND TOTAL					
	(A)+(B)+(C)	197	3960000	0	100	100

DEMATERIALIZATION OF SHARES AND LIQUIDITY

Equity Shares of 1600000 has been dematerialized up to March 31, 2011. Our company shares have been approved for dematerialization by National Securities Depository Limited (NSDL).

INFORMATION FLOW TO THE BOARD MEMBERS

We present our annual Plan and Operating Plans of our businesses to the Board for their review, inputs and approval. Likewise, our quarterly financial statements and annual financial statements are first presented to the audit committee of the Board of Directors, and subsequently to the Board of Directors for their approval. In cases of statutory matters are presented to the Board and Committees of the Board for their approval. Meeting with Directors enthuse and motivate our business leaders.

BOARD MEETINGS

We decide on the board meeting dates in consultation with all our directors. Once decided the schedule of the Board meeting and Board Committee meetings is communicated in advance to the Directors to enable them to schedule their meetings. Our Board met five times during the year ended March 31, 2011 on April 13, 2010, July 13, 2010, September 04, 2010, October 13 2010, and January 17, 2011. Maximum Interval between any two meetings was three months.

POST-MEETING FOLLOW-UP SYSTEM

After the board meetings, we have a formal system in place of follow up, review and reporting on actions taken by the management on the decisions of the Board.

ERP SOFT SYSTEMS LIMITED

DISCLOSURE OF MATERIALLY SIGNIFICANT RELATED PARTY TRANSACTIONS

During the year ended March 31, 2011 no transactions of material nature had been entered into by the Company with the Management or their relatives that may have a potential conflict with interest of the Company. None of the Non-Executive Directors have any pecuniary material relationship or transactions with the Company for the year ended March 31, 2011 and have given undertakings to that effect.

WHISTLE BLOWER POLICY AND AFFIRMATION THAT NO PERSONNEL HAS BEEN DENIED ACCESS TO THE AUDIT COMMITTEE

The audit committee framed a policy that provided a formal mechanism for all employees of the company to approach the management of the company and make protective disclosures to the management about unethical behavior, actual or suspected fraud or violation of the company's code of conduct

Company has not denied access to the Audit Committee to any employee of the company.

Our company has been complying with mandatory requirements prescribed under the listing agreement as amended from time to time.

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. The status on compliance with the Non-mandatory requirements are given at the end of the Report.

DIRECTORS' SHAREHOLDING IN THE COMPANY

Details of shares held by each of the Directors as on March 31, 2011

Name	No of shares held
K. Parvathi	200000
D. S. Reddy	150000
K. Radha Krishna Reddy	100000
R. Kamala Mohan	Nil
Dr. Srinu Ramaswamy	Nil
Suresh Reddy Bomma	Nil
Pavan Srinivas	Nil

REMUNERATION POLICY AND CRITERIA OF MAKING PAYMENTS TO DIRECTORS

Presently remuneration policy, compensation committee and criteria of making payments to directors are not required as no remuneration is paid to executive and non-executive directors.

DETAILS OF REMUNERATION TO ALL DIRECTORS

No remuneration is paid to the Directors for the services rendered during the year ended March 31, 2011.

No stock options were granted to any of the Directors during the year ended March 31, 2011.

4 KEY INFORMATION PERTAINING TO DIRECTORS

	K. Parvathi	D. Srinivasulu Reddy	K. Radha Krishna Reddy	R. Kamala Mohan
Category	Non-Independent & Executive Director	Non-Independent & Executive Director	Non-Independent & Executive Director	Independent Non-Executive Director
Date of Appointment	16.12.1994	16.12.1994	14.09.2002	31.03.2003
Directorship in other companies	Nil	Nil	Nil	Nil
Chairmanship in committees of board of other companies	Nil	Nil	Nil	Nil
Membership in committees of board of other companies	Nil	Nil	Nil	Nil
No of board meetings attended	5	5	5	5
Attendance at the last AGM held on September 28, 2009	Yes	Yes	Yes	Yes
	Dr. Srin Ramaswamy	Suresh Reddy Bomma	Pavan Srinivas	
Category	Independent Non-Executive Director	Independent Non-Executive Director	Independent Non-Executive Director	
Date of Appointment	1.7.2008	1.7.2008	1.7.2008	
Directorship in other companies	Nil	Nil	Nil	
Chairmanship in committees of board of other companies	Nil	Nil	Nil	
Membership in committees of board of other companies	Nil	Nil	Nil	
No of board meetings attended	5	5	5	
Attendance at the last AGM held on September 28,2009	N/A	N/A	N/A	

This does not include foreign companies and companies under Section 25 of the Companies Act, 1956

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

COMMITTEES OF THE BOARD OF DIRECTORS

Our Board has set up committees to focus on specific areas and make informed decisions within the authority delegated to each of the Committees. Each Committee of the Board is guided by its Charter, which defines the scope, powers and composition of the Committee. All decisions and recommendations of the Committees are placed before the Board for approval.

Audit Committee
Compensation Committee
Shareholders' Grievance Committee

AUDIT COMMITTEE

The constitution of the committee meets the requirements of Section 292A of the companies Act, 1956 as well as clause-49 of the listing Agreement.

Audit Committee reports to the Board of Directors and is primarily responsible for:

- Auditing and accounting matters, including the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- To recommend the appointment / removal of our independent auditors to the shareholders, fees to be paid to the independent auditors and also approval for payment for any other services.
- Integrity of the Company's financial statements, the scope of the annual audits.
- To review with management the annual financial statements before submission to the board , focusing primarily on:
 - Any changes in accounting policies and practices
 - Major accounting entries based on exercise of judgment by management
 - related party transactions, functioning of Whistle Blower mechanism
- Qualifications in draft audit report.
 - Significant adjustment arising out of audit
 - The going concern assumption
 - Compliance with accounting standards
 - Compliance with stock exchanges and Legal requirements concerning Financial Statements
 - Any related party transactions i.e. transaction of the company of material nature, with promoters or the management, their subsidiaries or relatives etc that may have the potential conflict with the interests of the company at large.
- To review with the management external and internal auditors, the adequacy of Internal control systems which include:
 - Review the performance of the Company's Internal Audit function, Independent Auditors and accounting practices including the structure of internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
 - To discuss with internal auditors and significant findings and follow up thereon
 - To review the findings of any internal investigations by the internal auditors onto matters where there is suspected fraud or irregularity or failure of internal control systems of a material nature and reporting the matter to the board.
 - To discuss with external auditors before the audit commences , nature and scope of audit as well as have post-audit discussion to ascertain any area of concern.

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- To review the company's financial and risk management policies.
- To look into the reasons for substantial defaults in the payment to the creditors and shareholders in case of dividends.

The Chairman of the Audit Committee is present at the Annual General Meeting.

All members of our Audit Committee are independent Non-Executive Directors and financially literate. The Chairman of our Audit Committee has the accounting or related financial management expertise.

Statutory Auditors as well as Internal Auditors always have independent meetings with the Audit Committee and also participate in the Audit Committee meetings.

Our CEO and Corporate Officers make periodic presentations to the Audit Committee on various issues.

Our Audit Committee met five times during the year ended March 31, 2011 on Nov 10, 2010, January 17 2011, March 25, 2011, May 20, 2011 and August 11, 2011. The committee reviews on each meeting the progress and improvement of internal control and financial reporting process.

The composition the Audit Committee and their attendance are given below. During the year Shiva Duvvuru has taken incharge of Finance that bring value to audit function.

Name	Position	No of meetings held
Mr. Pavan Srinivas	Chairman	5
Mrs. R.Kamala Mohan	Member	5
Mr. Shiva Duvvuru	Member	5

COMPENSATION COMMITTEE

Presently compensation committees, remuneration policy, criteria of making payments to directors are not required as remuneration is not paid to executive and non-executive directors. Therefore the term of reference of ERP Soft Systems Limited for compensation Committee is not presently required and will be constituted in due course.

SHAREHOLDERS' & INVESTORS' GRIEVANCE COMMITTEE:

The Shareholders' Grievance Committee is responsible for resolving investor's complaints pertaining to share transfers, non receipt of annual reports, Dividend payments, issue of duplicate share certificates, transmission of shares and other related complaints. The Committee is also empowered to oversee administrative matters like to consider and approve allotment of equity shares pursuant to exercise of stock options, setting up branch offices and other administrative matters as may be required from time to time, etc.

The Chairman of the Committee is an Independent Executive Director.

The Administrative and Shareholders Grievance Committee met four times during the year ended 31 March, 2011 on – Nov 10, 2010, January 17 2011, March 25, 2011 and May 20, 2011. In addition, the Shareholders' Grievance Committee, once in 15 days, reviews the redressal of shareholders and investor complaints.

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Table below provides the composition and attendance of the Shareholders'/Investors' Grievance Committee.

Name	Position	No of meetings held
Mrs. Kamala Mohan	Member	4
Mr. Pavan Srinivas	Member	4

The status on the shareholder queries and complaints we received during the financial year, and our response to the complaints and the current status of pending queries, if any, is Tabulated in Table below

Description	Received	Replied	Pending
Non receipt of Securities	Nil	Nil	Nil
Non receipt of annual reports	Nil	Nil	Nil
Correction/Revalidation of Dividend Warrants	N.A	N.A	N.A
SEBI/Stock Exchange Complaints	N.A	N.A	N.A
Non receipt of Dividend Warrant	N.A	N.A	N.A
Dematerialization of shares	N.A	N.A	N.A
Surrender and exchange of new share certificates	Nil	Nil	Nil

Mrs. R. Kamala Mohan is the Compliance Officer of the company.

SECRETARIAL AUDIT

A qualified practicing Chartered Accountant has carried out secretarial audit every quarter to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The audit confirms that the total issued/paid up capital is in agreement with the aggregate total number of shares in physical form, shares allotted & advised for demat credit but pending execution and the total number of dematerialized shares held with NSDL and CDSL.

COMPLIANCE

The certificate obtained from M/s. Vijayaraghavan and Associates Chartered Accountants of the company attached with this report.

Code of Ethics and Business Conduct adopted by the company on July 24th 2008. (This is also posted on company *website*)

INTRODUCTION

This code of Ethics for Board of Directors and Officers (the "**Code**") helps maintain the standards of business conduct for ERPSoft Systems Ltd (the "**Company**") and compliance with legal requirements. It is endeavored to evolve a "**Governance Code**" based on the principles of Good Corporate Governance and best management practices being followed globally besides complying the needs of law of land. The purpose of the code is to deter wrong doing and promote ethical conduct.

ERP SOFT SYSTEMS LIMITED

The Code of Ethics and Business Conduct of the Company is based on the following fundamental principles:

- Lay solid foundations for management
- Structure the Board to add value
- Promote ethical and responsible decision-making
- Safeguard integrity in financial reporting
- Make timely and balanced disclosures
- Recognize and manage business risks
- Respect the rights of the shareholders
- Encourage enhanced performance
- Remunerate fairly and responsibly
- Recognize the legitimate interest of the stakeholders
- Legal and Statutory compliances in letter and spirit
- Nothing in this code, in any Company policies and procedures, or in other related communications (Verbal or Written), creates or implies an employment contract or term of employment.

APPLICABILITY

This code is applicable to the following persons of the Company referred as Officers:

- Chairman
- Managing Director
- Executive Director
- All other Board of Directors
- Chief Financial Officer
- All the officers of the company in the rank and above of General Managers including all the Head of Departments
- Company Secretary(s) and Designated Employees

As ethical business conduct is critical to business, officers are expected to read and understand this Code, uphold these standards in day-to-day activities, and comply with: all applicable laws; rules and regulations; the code of conduct; and all applicable policies and procedures adopted by the Company that govern the conduct of its employees.

HONEST AND ETHICAL CONDUCT

The Company expects all officers to act in accordance with the highest standards of personal and professional integrity, honesty and ethical conduct, while working on the Company's premises, at offsite locations where the Company's business is being conducted, at Company sponsored business and social events, or at any other places where officers are representing the Company.

The Company considers honest conduct to be conduct that is free from fraud or deception. Ethical conduct to be conduct that is confirming to the accepted professional standards of conduct and includes the ethical handling of actual or apparent conflicts of interest between personal and professional relationships.

CONFLICTS OF INTEREST

An officer's and employee's duty to the Company demands that he or she avoids and discloses actual and apparent conflicts of interests. A conflict of interest exists where the interest or benefits of one person or entity conflict with the interests or benefits of the Company. The situations can arise:

When an employee, officer, or director takes action or has interests that may make it difficult to perform his or her work objectively and effectively

The receipt of improper personal benefits by a member of his or her family as a result of one's position in the Company

Any outside business activity that detracts an individual's ability to devote appropriate time and attention to his or her responsibilities with the Company

The receipt of non-nominal gifts or excessive entertainment from any person/company with which the Company has current or prospective business dealings

Any significant ownership interest in any supplier, customer, development partner or competitor of the Company

Any consulting or employment relationship with any supplier, customer, business associate or competitor of the Company

The directors, officers and employees should be scrupulous in avoiding '**conflicts of interest**' with the Company. In case there is likely to be a conflict of interest, he/she should make full disclosure of all facts and circumstances thereof to the Board of directors or any Committee / officer nominated for this purpose by the Board and a prior written approval should be obtained.

Every employee who is required to make a disclosure as mentioned above shall do so, in writing, to his or her immediate superior, who shall forward the information along with comments to the person designated for this purpose by the CEO/COO, who in turn will place it before the Board of Directors or Executive Committee appointed by the Board and, upon a decision being taken in the matter, the employee concerned will be required to take necessary action as advised to resolve/avoid the conflict.

If an employee or an officer fails to make a disclosure as required herein, and the management of its own accord becomes aware of an instance of conflict of interest that ought to have been disclosed by the employee or the officer, the management would take a serious view of the matter and consider suitable disciplinary action against the employee or the officer.

COMPLIANCE WITH GOVERNMENT LAWS, RULES AND REGULATIONS

The Directors, Officers and Employees of the Company shall, in his or her business conduct, comply with all applicable laws and regulations, both in letter and in spirit, in all the territories in which he or she operates. Officers must acquire appropriate knowledge of the legal requirements relating to their duties sufficient to enable them to recognize potential dangers and to know when to seek advice from higher authorities / outside experts. Violations of applicable governmental laws, rules and regulations may subject them to individual criminal or civil liability, as well as to disciplinary action by the Company. Such individual violations may also subject the Company to civil or criminal liability or the loss of business.

CONFIDENTIALITY

The Directors, Officers and Employees shall maintain the confidentiality of confidential information of the Company or that of any customer, supplier or business associate of the Company to which Company has a duty to maintain confidentiality, except when disclosure is authorized or legally mandated. The Confidential information includes all non-public information (including private, proprietary, and other) that might be of use to competitors or harmful to the Company or its associates. The use of confidential information for his/her own advantage or profit is also prohibited.

FAIR DEALINGS

The Directors, Officers and Employees should deal fairly with customers, suppliers, competitors, and employees of group companies. They should not take unfair advantage of anyone through manipulation, concealment, abuse of confidential, proprietary or trade secret information, misrepresentation of material facts, or any other unfair dealing-practices. Inappropriate use of proprietary information, misusing trade secret information that was obtained without the Company or the Board consent, or inducing such disclosures by past or present employees of other companies is prohibited. An Officer must perform his or her duties in good faith, acting honestly, free from the intention to defraud.

PROTECTION AND PROPER USE OF COMPANY'S ASSETS

All Directors, Officers and Employees should protect Company's assets and property and ensure its efficient use. Theft, carelessness, and waste of the Company's assets and property have a direct impact on the Company's profitability. Company's assets should be used only for legitimate business purposes. Inappropriate use of proprietary information, misusing trade secret information that was obtained without the Company or the Board consent, or inducing such disclosures by past or present employees of other companies is prohibited. An Officer must perform his or her duties in good faith, acting honestly, free from the intention to defraud.

COMPLIANCE WITH CODE OF CONDUCT

If any Director, Officer and Employee who knows of or suspects of a violation of applicable laws, rules or regulations or this Code of conduct, he/she must immediately report the same to the Board of Directors or any designated person/committee thereof. Such person should as far as possible provide the details of suspected violations with all known particulars relating to the issue. The Company recognizes that resolving such problems or concerns will advance the overall interests of the Company that will help to safeguard the Company's assets, financial integrity and reputation.

Violations of this Code of Ethics will result in disciplinary action, which may even include termination of the services... The Company's Board or any Committee/person designated by the Board for this purpose shall determine appropriate action in response to violations of this Code of Ethics.

CORPORATE OPPORTUNITIES

The Directors, Officers and Employees shall not exploit for their own personal gain, opportunities that are discovered through the use of Company Property, information or position, unless the opportunity is disclosed fully in writing to the Company's Board of directors and if the Board declines to pursue such opportunity, they are expressly prohibited from competing directly with the business of the Company or with any business that the Company is considering.

SECURITIES TRANSACTIONS AND CONFIDENTIAL INFORMATION

The Directors, Officers and Employees of the Company and his or her immediate family shall not derive any benefit or assist others to derive any benefit from the access to and possession of information about the Company or the group, which is not in the public domain and thus constitutes insider information.

The Directors, Officers and Employees of the Company shall not use or proliferate information which is not available to the investing public and which therefore constitutes insider information for making or giving advice on investment decisions on the securities of the respective company (ies) on which such insider information has been obtained.

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Such insider information might include the following:

- Periodical financial results of the Company
- Acquisition and divestiture of businesses or business units, financial information such as profits, earnings and dividends, announcement of new product introductions or developments, asset revaluations
- Investment decisions/plans
- Restructuring plans
- Major supply and delivery agreements
- Raising finances
- Issue of new securities and buy back of its own shares
- Expansion/new projects
- Disposal of whole or substantial part of the Undertaking and Amalgamation merger or takeover.

INTERPRETATION OF CODE

Any question or interpretation under this Code of Ethics and Business Conduct will be handled by the Board or any person / committee authorized by the Board of the Company. The Board of Directors / MD /ED or any designated person / committee has the authority to waive compliance with this Code of business conduct for any director, officer or employee of the Company. The person-seeking waiver of this Code shall make full disclosure of the particular circumstances to the Board or the designated person/ committee.

WAIVERS AND AMENDMENTS OF THE CODE

The Company is committed to continuously reviewing and updating the policies and procedures. Therefore, this Code is subject to modification. Any amendment or waiver of any provision of this Code must be approved in writing by the Company's Board of Directors / C&CEO / COO of the company and promptly disclosed on the Company's Website and in applicable regulatory filings pursuant to applicable laws and regulations, together with details about the nature of such amendment or waiver.

As adopted by the Board of Directors of ERPSoft Ltd on 24th July 2008

ACKNOWLEDGMENT OF RECEIPT OF COMPANY'S CODE OF ETHICS

I have received and read the Company's Code of Ethics and Business ("**the Code**"). I understand the standards and policies contained in the Code and understand that there may be additional policies or laws specific to my job. I agree to comply with the Code.

If I have questions concerning the meaning or application of the Code, any Company policies, or the legal and regulatory requirements applicable to my job, I know I can consult Secretarial and Legal Department and that my questions or reports to these sources will be maintained in confidence.

Annexure A

To,
The Compliance Officer
ERP Soft Systems Limited
A-21, Anna Nagar
Chennai 600102

Dear Sir,

I have received and read the Company's Code of Ethics. I understand the standards and policies contained in the Code and understand that there may be additional policies or laws specific to my job. I agree to comply with the code.

If I have questions concerning the interpretation/application of the Code, any Company policies, and legal requirement applicable to my job, I know, I can consult the Company Secretary, and that my questions or report to these sources will be maintained confidential.

I agree to report any violation of the Code immediately as it comes to my knowledge, to the Company Secretary and to help in any investigation made pursuant to the Code and I understand that the report or the information made by me in this concern shall be maintained confidential.

Sd/-
R Kamala Mohan
Director

Date: 02.09.2011.

ERP SOFT SYSTEMS LIMITED
COMPLIANCE WITH ADOPTION OF MANDATORY REQUIREMENTS

Our Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement.

COMPLIANCE REPORT ON NON-MANDATORY REQUIREMENTS UNDER CLAUSE 49

1. THE BOARD - CHAIRMAN'S OFFICE

The Chairman of ERP Soft Systems is an Executive Director and this provision is not applicable to ERP Soft Systems. Some of our independent directors have completed a tenure exceeding a period of nine years on the Board of Directors of the Company.

2. REMUNERATION COMMITTEE

Presently compensation committees, remuneration policy, criteria of making payments to directors are not required as remuneration is not paid to executive and non-executive directors. Therefore the term of reference of ERP Soft Systems Limited for compensation Committee is not presently required and will be constituted in due course.

3. SHAREHOLDERS RIGHTS

We display our quarterly, half yearly and annual results on our web site, www.erpssoft.com and also publish our results in widely circulated newspapers. We did not send half yearly results to each of the shareholders for the year ended March 31, 2011.

4. AUDIT QUALIFICATIONS

The Auditors have not qualified the financial statements of the Company.

5. TRAINING OF BOARD MEMBERS

An effective program is in place to train and update our board members, understand the delivery models, business process at our development centre's, visiting our facilities, communicate with our centre heads and other functional heads thereby to improve our business process and add value to our services.

6. MECHANISM FOR EVALUATING NON EXECUTIVE BOARD MEMBERS

Evaluation of all Board members is done on an annual basis. This evaluation is lead by the Chairman of the company with specific focus on the performance and effective functioning of the Board.

7. WHISTLE BLOWER POLICY

The details of the process and its functions have been discussed earlier in this section.

DISCLOSURES BY THE MANAGEMENT

During the year ended March 31, 2011, there have been no transactions of material nature entered into by the Company with the Management or their relatives that may have a potential conflict with interest of the Company. None of the Non-Executive Directors have any pecuniary material relationship or transactions with the Company for the year ended March 31, 2011 and have given undertakings to that effect. Transactions with the companies in which ERPSOFT System's Directors are interested are recorded in the Register under Section 301 of the Companies Act, 1956.

DECLARATION AS REQUIRED UNDER CLAUSE 49 (I)(D)(II) OF THE STOCK EXCHANGE LISTING AGREEMENT

All Directors and senior management personnel of the Company have affirmed compliance with ERP Soft Systems' Code of business conduct and ethics for board members and for senior management personnel of the company for the year ended March 31, 2011, and acknowledgement to this effect has been received.

Sd/-
K. Parvathi
Managing director
Chennai, September 02, 2011.

ERP SOFT SYSTEMS LIMITED
CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

To the Members of ERP Soft Systems Limited

We have examined all the relevant records of ERP Soft Systems Limited for the purpose of certifying compliance of the conditions of the Corporate Governance under Clause 49 of the Listing Agreement with the Stock Exchanges for the year ended March 31, 2011. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of certification.

The compliance of conditions of corporate governance is the responsibility of the Management. Our examination was limited to the procedure and implementation process adopted by the Company for ensuring the compliance of the conditions of the corporate governance. This certificate is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

In our opinion and to the best of our information and according to the explanations given to us, We are certify that the Company has complied with all the mandatory conditions of Corporate Governance as stipulated in the said Listing Agreement. However, the Company has published the results in widely circulated newspapers, instead of sending the half yearly results to each household of the shareholders during the year ended March 31, 2011.

We state that no investor grievances are pending for a period exceeding one month against the company as per the records maintained by the shareholders / Investors Relations Committee.

For VIJAYARAGHAVAN AND ASSOCIATES
Chartered Accountants

Sd/-
P.B. Vijayaraghavan
Partner
Membership No.: 15103

Chennai, May 30, 2011.

AUDITORS' REPORT

To the Members of ERP SOFT SYSTEMS LIMITED

We have audited the attached balance sheet of ERP Soft Systems Limited ("the Company") for the year ended March 31, 2011 and the profit and loss account and 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 the 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.

1. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditors Report) Amendment Order, 2004 ("the Order"), issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956 ("the Act"), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in paragraph 1 above, we report that:
 - a) 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;
 - b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) the balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - d) in our opinion, the balance sheet, profit and loss account and 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;
 - e) on the basis of written representations received from the directors as on 31 March 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as at 31 March 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956; and
 - f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information 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:

ERP SOFT SYSTEMS LIMITED

- i. in the case of the balance sheet, of the state of affairs of the Company as at 31 March 2011;
- ii. in the case of the profit and loss account, the profit of the Company for the year ended March 31, 2011. on that date; and
- iii. in the case of cash flow statement, of the cash flows for the year ended on that date.

**for VIJAYARAGHAVAN AND ASSOCIATES
Chartered Accountants**

**Sd/-
P.B. Vijayaraghavan
Partner
Membership No.: 15103**

Chennai, May 30, 2011.

ERP SOFT SYSTEMS LIMITED

Annexure referred to in our report to the members of ERP Soft Systems Limited (“the Company”) for the period March 31, 2011

1.
 - a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b) The Company has a regular program of physical verification of its fixed assets by which all fixed assets are verified in a phased manner which in our opinion, the periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. Any discrepancies noticed on such physical verification were not material and have been properly dealt with in books of accounts.
 - c) The fixed assets disposed of during the year were not substantial, and therefore, do not affect the going concern assumption.
 - d) None of the fixed assets have been revalued during the year.
2. The company did not carry any inventory during the year.
3. As informed to us, the Company has neither taken nor given any loan secured or unsecured From / to parties listed under Section 301 and 370 (1-B) of the Companies Act, 1956.
4. 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 regards to purchase of fixed assets and with regard to sale of goods and services. We have not observed any major weakness in the internal control system during the course of the audit.
5.
 - a) In our opinion and according to the information and explanations given to us, the particulars of the contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered into the register required to be maintained under that section.
 - b) In our opinion and according to the information and explanations given to us, contracts and arrangements entered in the register maintained under Section 301 have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. The company is not required to maintain books of accounts pursuant to the rules made by the Central Government under Section 209(1)(d) of the Companies Act, 1956 for maintenance of cost records.
9.
 - a) According to the information and explanations given to us, no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Income tax, Wealth tax, Sales tax, Excise duty, Customs duty, Service tax, Entry tax and other applicable statutory dues were outstanding as at 31 March 2011 for a period of more than six months from the date they became payable. There were no dues on account of cess under Section 441A of the Companies Act, 1956 since the date from which the aforesaid section comes into force has not yet been notified by the Central Government.

ERP SOFT SYSTEMS LIMITED

- b) There are no disputed Income tax, Wealth tax, Excise duty, Customs duty and Sales and other applicable statutory dues as at 31 March, 2011
10. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses during the financial year and in the immediately preceding financial year.
 11. In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of any dues to any financial institution or bank.
 12. In our opinion and according to the explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
 13. In our opinion and according to the explanations given to us, the Company is not a chit fund/nidhi/mutual benefit fund/ society.
 14. According to the information and explanations given to us, the Company was trading in shares and securities and proper records have been maintained of the transactions and contracts. The company was making timely entries and the shares and securities were held by the company in its own name.
 15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
 16. In our opinion and according to the information and explanations given to us, the Company have not availed any term loan during the year.
 17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short term basis have not been used for long term investment.
 18. The Company has not made any preferential allotment of shares to the companies/firms/parties covered in the register maintained under Section 301 of the Companies Act, 1956.
 19. The Company did not issue any debentures during the year.
 20. The Company has not raised any money by public issues.
 21. According to the information and explanations given to us, we report that no material fraud on or by the Company has been noticed or reported during the course of audit.
 22. In our opinion and according to the information and explanations given to us, personal expenses have not been charges to revenue

**For Vijayaraghavan and Associates
Chartered Accountants**

**Sd/-
P.B. Vijayaraghavan
Partner
Membership No.: 15103**

Chennai, May 30, 2011

Financials

ERP Soft Systems Limited
Audited Financial Statements for the year ended
March 31, 2011 prepared in accordance with
Generally Accepted Accounting Principles in India
Indian GAAP (Unconsolidated)

FINANCIAL STATEMENTS - ERP SOFT SYSTEMS LIMITED**BALANCE SHEET AS ON 31 MARCH 2011**

(In Rupees)

SOURCES OF FUNDS	schedule	31.03.2011	31.03.2010
Shareholders Funds			
Share Capital	1	3,96,00,000	3,96,00,000
Reserves and Surpluses	2	1,68,85,777	1,54,86,963
Total		5,64,85,777	5,50,86,963

APPLICATION OF FUNDS

Fixed Assets			
Gross Block		36,02,614	29,13,694
Less: Accumulated Depreciation		13,31,794	8,77,749
Net Block	3	22,70,820	20,35,945
Investments	4	5,40,06,778	5,40,50,816
Current Assets, Loans and Advances	5	14,47,423	7,34,859
Less: Current Liabilities and Provisions	6	12,39,245	17,34,658
NET CURRENT ASSETS		2,08,178	(9,99,799)
Total		5,64,85,777	5,50,86,963

Notes to Accounts

8

The schedules referred to above and notes to accounts form an integral part of the balance sheet

As per our report attached

for VIJAYARAGHAVAN & ASSOCIATES
Chartered Accountants

For and on behalf of the Board of Directors

P.B.Vijayaraghavan
Partner
Membership No.15103

K.Parvathi
Managing Director

R.Kamala Mohan
Director

Chennai, May 30, 2011

ERP SOFT SYSTEMS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE PERIOD 01/04/2010 TO 31/03/2011

(In Rupees)

	schedule	31.03.2011		31.03.2010	
<u>INCOME</u>					
Sales Income			45,40,946		48,72,742
Other Income			1,35,549		4,10,824
Total			46,76,496		52,83,566
<u>EXPENDITURE</u>					
Professional / Consultancy Fees			16,000		16,000
Salary Payments			15,45,200		9,45,500
General and Administrative Expenses	7		7,62,226		11,44,621
Investment Expenses			30,347		37,834
Impairment Loss on Investments			0		0
Depreciation			4,54,045		4,45,676
Total			28,07,818		25,89,631
PROFIT BEFORE TAXATION			18,68,678		26,93,935
Provision for Taxation			6,00,000		3,80,594
Deferred Tax Liability			-55,136		-1,024
PROFIT AFTER TAX			13,23,814		23,14,365
ACCUMULATED LOSSES BROUGHT FORWARD					
APPROPRIATIONS					
Interim Dividend					
Proposed Dividend					
Tax on Dividend					
TRANSFER TO RESERVES			13,23,814		23,14,365
<u>EARNINGS PER SHARE</u>					
Equity Shares of par value Rs.10/- each					
Basic			0.38		0.58
Diluted					
<u>Number of shares for calculating EPS</u>					
Basic			39,60,000		39,60,000
Diluted					

Notes to Accounts

8

The schedules referred to above and notes to accounts form an integral part of the profit and loss account

for VIJAYARAGHAVAN & ASSOCIATES
Chartered Accountants

For and on behalf of the Board of Directors

P.B.Vijayaraghavan
Partner
Membership No.15103

K.Parvathi
Managing Director

R.Kamala Mohan
Director

Chennai, May 30, 2011

ERP SOFT SYSTEMS LIMITED
FINANCIAL STATEMENTS - ERP SOFT SYSTEMS LIMITED

SCHEDULES	(In Rupees)	
	31.03.2011	31.03.2010
SCHEDULE 1- SHARE CAPITAL		
Authorised Capital		
4,500,000 equity shares of Rs.10/- each	4,50,00,000	4,50,00,000
Issued, subscribed and paid up capital		
3,960,000 equity shares of Rs.10/- each	3,96,00,000	3,96,00,000
SCHEDULE 2 - RESERVES AND SURPLUSES		
Translation Reserve		
Balance brought forward from previous period	0	-2,363
Additons/(Deletions)	0	2,363
Currency Translation Reserve	0	0
Profit and Loss Account		
Balance brought forward from previous year	1,54,97,326	1,31,82,961
Profit for the year	13,23,814	23,14,365
Balance carried forward	1,68,21,140	1,54,97,326
Summary of Reserves and Surpluses		
Balance brought forward from previous year	1,54,86,963	1,31,80,598
Additions	13,98,814	23,14,365
Deletions	0	-8,000
Balance Carried Forward	1,68,10,777	1,54,86,963

SCHEDULE 3 - FIXED ASSETS (April 2010 to March 2011)(in
Rupees)

PARTICULARS	GROSS BLOCK			ACCUMULATED DEPRECIATION			NET BLOCK	
	As on	Additions	As on	As on	Depn for the	As on	As on	As on
	April 01, 2010		March 31, 2011	April 01, 2010	period	March 31, 2011	March 31, 2011	March 31, 2010
Furniture and Fittings	1,27,920	26,340	1,54,260	1,14,701	9,435	1,24,136	30,124	13,219
Computer and Peripherals	3,20,470		3,20,470	1,78,325	12,222	1,90,547	1,29,923	1,42,145
Computer Software	16,90,200		16,90,200	2,34,398	75,160	3,09,558	13,80,642	14,55,802
Printer	8,603		8,603	325	325	650	7,953	8,278
Air Conditioner	66,501		66,501	0	3,578	3,578	62,923	66,501
Furniture and Fittings	7,00,000		7,00,000	3,50,000	3,50,000	7,00,000	0	3,50,000
Motor cycle	0	35,000	35,000	0	3,325	3,325	31,675	0
Car	0	6,27,580	6,27,580	0	0	0	6,27,580	0
Total	29,13,694	6,88,920	36,02,614	8,77,749	4,54,045	13,31,794	22,70,820	20,35,945
Previous year - 31st March, 2010	21,38,590	7,75,104	29,13,694	4,32,073	4,45,676	8,77,749	20,35,945	17,06,518

FINANCIAL STATEMENTS - ERP SOFT SYSTEMS LIMITED**SCHEDULE 4 – INVESTMENTS****SUBSIDIARY**

Equity in Libertycom LLC	21,51,744	21,51,744
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PARTNERSHIP FIRM

ERP Info Systems	3,51,86,462	3,53,35,702
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Yashavee Investment Consultants	1,36,00,000	1,36,00,000
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OTHERS

Unifi Wealth Management Limited (PMS)	15,68,572	14,63,370
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Sagar Power Pvt . Limited	15,00,000	15,00,000
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5,40,06,778	5,40,50,816
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SCHEDULE 5 - CURRENT ASSETS, LOANS AND ADVANCES**RECEIVABLES CONSIDERED GOOD - UNSECURED**

Due from Subsidiary Company	12,40,567	0
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Advances : Staff Loan	3,500	7,000
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Swamy Intellect		1,50,000
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Advance Income Tax	0	2,25,000
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CASH AND BANK BALANCES

Cash on hand	10,249	365
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Cash at Scheduled Bank	1,93,107	3,52,494
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14,47,423	7,34,859
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SCHEDULE 6 - CURRENT LIABILITES

Creditors for Capital Goods/Expenses	6,75,176	6,03,051
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Advance Received from Subsidiary Company	0	6,56,808
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Provision for Income Tax	6,00,000	3,80,594
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Deferred Tax Liability	39,069	94,205
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13,14,245	17,34,658
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SCHEDULE 7 - GENERAL AND ADMINISTRATIVE EXPENSES

Advertisement	10,210	10,200
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Audit Fees	39,400	20,000
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Bank Service Charges	1,285	953
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Communication Expenses	34,332	32,521
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Dues & Subscriptions	6,170	12,273
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Electricity Charges	7,373	4,736
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Licenses and other fees	8,400	36,047
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Listing Fees	31,603	1,52,505
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Miscellaneous	2,116	0
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Office Maintenance	59,385	41,699
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Professional Fees Others	1,000	5,000
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Printing and Stationery	21,816	27,189
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Repairs and Maintenance	42,196	12,050
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Rent	2,97,500	2,68,000
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Share Transfer Fees	0	29,781
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Staff Welfare Expenses	19,770	12,689
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Software & Web Development Expenses	1,56,500	4,50,000
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Travelling and Conveyance	23,170	28,978
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7,62,226	11,44,621
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SCHEDULE 8 – NOTES TO ACCOUNTS

1. **BACKGROUND AND NATURE OF OPERATIONS**

ERP Soft Systems Limited (“ERP Soft”) was incorporated in India with limited liability on December 16, 1994. The Company is principally engaged in the business of providing information technology solutions and business process outsourcing services. ERP Soft is headquartered in Chennai, India.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a. **Basis of presentation**

The financial statements are prepared under the historical cost convention, on the accrual basis of accounting, in conformity with accounting principles generally accepted in India and complying in all material respects with the mandatory accounting standards issued by the Institute of Chartered Accountants of India and referred to in Section 211(3C) of the Companies Act, 1956 (‘the Act’). The accounting policies applied by the Company are consistent with those used in the previous years. The financial statements are presented in the format specified in Schedule VI to the Act.

The significant accounting policies adopted by the Company, in respect of the financial statements are set out as below:

b. **Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year end. Although these estimates are based upon management’s best knowledge of current events and actions, actual results could differ from these estimates.

c. **Fixed assets, depreciation and amortization**

Fixed assets are accounted at cost less accumulated depreciation. The Company capitalizes all direct costs relating to the acquisition and installation of fixed assets.

Depreciation and amortization are computed using straight-line method, at the rates specified in Schedule XIV to the Act or based on the estimated useful life of assets, whichever is higher.

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

d. **Investments**

Investments are stated at lower of cost and fair value determined on an individual investment basis.

d. **Current assets**

Current assets are accounted at lower of cost and market price determined on an individual basis.

e. Foreign currency transactions

The Company is exposed to currency fluctuations on foreign currency transactions. Foreign currency transactions are accounted in the books of account at the average rate for the month.

Transaction:

The difference between the rate at which foreign currency transactions are accounted and the rate at which they are realized is recognized in the Profit and Loss Account.

Translation:

Monetary foreign currency assets and liabilities at period-end are translated at the closing rate. The difference arising from the translation is recognized in the Profit and Loss Account.

The Accounting Standard (AS 11) on "The Effects of Changes on Foreign Exchange Rates", amended with effect from April 1, 2004 provides guidance on accounting for forward contracts. In respect of forward contracts entered into to hedge foreign exchange risk of highly probable forecasted transaction, the ICAI has clarified that AS 11 is currently not applicable to exchange differences arising from such forward contracts. The premium or discount of such contracts is amortized over the life of the contract in accordance with AS 11 (revised).

No forward exchange contracts have been entered into by the Company to hedge the foreign currency risk.

f. Revenue recognition

Services:

Revenue from IT services are recognized as services are performed when arrangements are on a time and material basis. Revenue from fixed-price contracts is recognized in accordance with the "Percentage of Completion" method.

Proportionate completion is measured based upon the efforts incurred to date in relation to the total estimated efforts to complete the contract. If the proportionate completion efforts are higher than the related requiring customer acceptance, revenue is recognized only to the extent customer approval has been received.

Revenues from BPO services are derived from both time-based and unit-priced contracts. Revenue is recognized as the related services are performed, in accordance with the specific terms of the contract with the customers.

Revenue from support and other services is recognized as the related services are performed in accordance with the specific terms of the contract with the customers.

Provision for estimated losses, if any, on incomplete contracts are recorded in the period in which such losses become probable based on the current contract estimates.

Others:

Profit on sale of investments is recorded upon transfer of title by the Company. It is determined as the difference between the sales price and the then carrying amount of the investment.

Interest is recognized using the time-proportion method, based on rates implicit in the transaction.

Dividend income is recognized where the Company's right to receive dividend is established.

ERP SOFT SYSTEMS LIMITED

Export incentives are accounted on accrual basis and include estimated realizable values/benefits from special import licenses and advance licenses.

Other income is recognized on accrual basis. Other income includes unrealized losses on short-term investments.

g. Income-tax

Tax expense comprises of current income tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act. The Company enjoys exemption under Section 10A of Income Tax Act, 1961.no provision was necessitated for deferred tax.

h. Earnings per share

The earnings considered in ascertaining the Company's earnings per share comprise the net profit after tax. The number of shares used in computing basic earnings per share is the number of shares outstanding during the year. The company has not diluted its shares as on March 31, 2011.

i. Provision and contingencies

A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made.

3. SEGMENT INFORMATION

Business segments are defined as a distinguishable component of an enterprise that is engaged in providing related services and that is subject to risks. This information is reviewed and evaluated regularly by the management in deciding how to allocate resources and in assessing the performance.

The Company is organized geographically and by business segment. For management reporting purposes the Company is primarily organized its business segment into "IT services and BPO services."

IT services and BPO services comprise of software development, Enterprise management Services, Support services, customized software implementations and IT and Business consulting.

(In Rupees)

Particulars		
	March 2011	March 2010
Revenues		
IT & BPO Services	45,40,946	48,72,742
TOTAL	45,40,946	48,72,742
Profit before Interest and Tax – PBIT		
IT & BPO Services	18,68,678	26,93,935
TOTAL	18,68,678	26,93,935
Interest, Dividend & Profit on sale of investments - Net	0	0
Profit Before Tax	18,68,678	26,93,935
Income Tax expense	5,44,864	3,79,750
Profit before Share in earnings of Associates and minority interest		
Share in earnings of associates	0	0
Minority interest	0	0
PROFIT AFTER TAX	13,23,814	23,14,365
Segment Assets		
IT Services		
BPO Services	14,47,423	7,34,859
TOTAL	14,47,423	21,35,739
Segment Liabilities		
IT Services		
BPO Services	13,14,245	17,34,657
TOTAL	13,14,245	17,34,657
Shareholder's Funds		
IT Services	0	0
BPO Services	0	0
Corporate	56,410,777	55,086,963
TOTAL		

SEGMENT REVENUE AND EXPENSE:

Revenue is generated through providing IT and BPO services to the customers.

SEGMENT ASSETS AND LIABILITIES

Segment assets include all operating assets used by a segment and consist principally of debtors and fixed assets.

Segment liabilities include advance from customer, accrued employee cost and other current liabilities.

While most such assets and liabilities can be directly attributed to individual segments, the carrying amount of certain assets and liabilities used jointly by two or more segments is allocated to the segment on a reasonable basis.

GEOGRAPHICAL SEGMENTS

The following table shows the distribution of the Company's sales by geographical market:

Regions	(Rs in Lakhs)			
	March 2011	%	March 2010	%
USA	45.40	100%	48.72	100%
Europe	0	0%	0	0%
Rest of the world	0	0%	0	0%
Total	45.40	100%	48.72	100%

4. Names of related parties and description of relationship

Principal shareholders	D. Sreelatha D. Sivakumar Reddy D. Kowsalya K. Parvathi D. S.Reddy D. Sarojanamma K. Radha Krishna Reddy K. Navaneethamma G Satish K. Sivkumar Reddy K. Chandana G. Nagaraju
Subsidiaries	Libertycom LLC
Key Managerial Personnel	K. Parvathi, Managing Director

5. The confirmation from debtors, creditors and parties are pending from respective parties.

6. The previous years figures have been reclassified or regrouped where ever found necessary to confirm to groupings and classifications of current year

7 Foreign exchange inflows are Rs.26.43 lacs and outflow is Nil during the year.

8 Information required under paragraphs 4 & 5 of Part-II schedule VI to the Companies Act, 1956 is not applicable due to the nature of the business carried on during the year.

As per our report attached

for Vijayaraghavan and Associates
Chartered Accountants

Sd/-
P.B.Vijayaraghavan
Partner
Membership No : 15103

Chennai, May 30, 2011.

For and on behalf of the Board of Directors

Sd/-
K. Parvathi
Managing Director

Sd/-
R.Kamala Mohan
Director

(Rupees in Lakhs)

1. Name of the Subsidiary Company	LIBERTYCOM LLC
2. Financial year of the Subsidiary	Figures for consolidation: March 31, 2011.
3. Holding Company's interest in the Subsidiary	100% Equity
4. Net aggregate amount of the Profits of the Subsidiary not dealt with in the holding Company's Accounts	
a. For the current financial year of the Subsidiary Company	25,79,587/-
b. For the previous financial years of the Subsidiary Company	20,12,433/-
5. Net aggregate amount of the Profits Of the Subsidiary dealt with in the Holding Company's Accounts	
a. For the current financial year of the Subsidiary Company	Nil
b. For the previous financial years of the Subsidiary Company	Nil

AUDITORS' REPORT TO THE BOARD OF DIRECTORS ON THE CONSOLIDATED FINANCIAL STATEMENTS OF ERP SOFT SYSTEMS LIMITED AND ITS SUBSIDIARY LIBERTYCOM LLC

We have audited the attached consolidated balance sheet of ERP Soft Systems Limited ('the Company') and subsidiary for the year ended March 31, 2011, 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 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 did not audit the financial statements of Liberty Com LLC whose financial statements reflect total assets of Rs.359.50 Lacs as at 31 March 2011 and total revenues of Rs.280.69 Lacs for the year ended March 31, 2011. These financial statements were furnished by the Management and in our opinion in so far as it relates to the amount included in respect of the Subsidiary is based solely on the statements furnished by the Management and no audited statements furnished to us.

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 and Accounting Standard (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements issued by the Institute of Chartered Accountants of India and on the basis of separate audited financial statements of ERP Soft Systems Limited and its subsidiary Libertycom LLC.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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 ERP Soft Systems Limited and its subsidiary Libertycom LLC for the year ended March 31,2011
- b) in the case of the consolidated profit and loss account, of the profit of the ERP Soft Systems Limited and its subsidiary Libertycom LLC for the year ended on that date; and
- c) In the case of the consolidated cash flow statement, of the cash flows of the ERP Soft Systems Limited and its subsidiary Libertycom LLC for the year ended on that date.

**For Vijayaraghavan and Associates
Chartered Accountants**

**Sd/-
P.B. Vijayaraghavan
Partner
Membership No.: 15103**

Chennai, May 30, 2011.

CONSOLIDATED FINANCIAL STATEMENTS OF ERP SOFT SYSTEMS LIMITED AND SUBSIDIARIES**BALANCE SHEET AS ON 31/03/2011***(in Rupees)*

<u>SOURCES OF FUNDS</u>	Schedule	31.03.2011	31.03.2010
Shareholders Funds			
Share Capital	1	3,96,00,000	3,96,00,000
Reserves and Surpluses	2	5,05,93,085	4,69,54,575
Total		9,01,93,085	8,65,54,575
<u>APPLICATION OF FUNDS</u>			
Fixed Assets			
Gross Block		1,13,63,074	1,06,74,154
Less: Accumulated Depreciation		90,92,254	76,68,209
Net Block	3	22,70,820	30,05,945
Investments	4	5,18,55,034	5,18,99,072
Current Assets, Loans and Advances	5	3,60,67,231	3,16,49,559
Less: Current Liabilities and Provisions			
NET CURRENT ASSETS		3,60,67,231	3,16,49,559
Total		9,01,93,085	8,65,54,575

Notes to Accounts

The schedules referred to above form an integral part of the consolidated balance sheet

As per our report attached

for VIJAYARAGHAVAN & ASSOCIATES
Chartered Accountants

For and on behalf of the Board of Directors

P.B.Vijayaraghavan
Partner
Membership No.15103

K.Parvathi
Managing Director

R.Kamala Mohan
Director

Chennai, May 30, 2011

CONSOLIDATED FINANCIAL STATEMENTS OF ERP SOFT SYSTEMS LIMITED AND SUBSIDIARIES**PROFIT AND LOSS ACCOUNT FOR THE PERIOD 01/04/2010 TO 31/03/11**

(In Rupees)

<u>INCOME</u>	Schedule		
		31.03.2011	31.03.2010
Sales and Services Income		3,26,01,403	2,95,42,198
Other Income	7	1,44,438	7,14,961
Total		3,27,45,841	3,02,57,159
<u>EXPENDITURE</u>			
Professional / Consultancy Fees		16,000	16,000
Cost of Sales and Services		2,19,10,686	1,82,02,686
Salary Payments		15,45,200	9,45,500
General and Administrative Expenses	8	33,71,298	45,74,742
Investment Expenses		30,347	37,834
Depreciation		14,24,045	17,74,029
Total		2,82,97,576	2,55,50,791
PROFIT BEFORE TAXATION		44,48,265	47,06,368
Provision for Taxation		6,00,000	3,80,594
Deferred Tax Liability		-55,136	-1,024
PROFIT AFTER TAX		39,03,401	43,26,798
TRANSFER TO RESERVES		39,03,401	43,26,798

EARNINGS PER SHARE

Basic	1.04	1.09
Diluted		
<u>Number of shares for calculating EPS</u>		
Basic	39,60,000	39,60,000
Diluted		

Notes to Accounts

The schedules referred to above and notes to accounts form an integral part of the profit and loss account

As per our report attached**for VIJAYARAGHAVAN & ASSOCIATES
Chartered Accountants****For and on behalf of the Board of Directors****Sd/-****Sd/-****Sd/-****P.B.Vijayaraghavan
Partner
Membership No.15103****K.Parvathi
Managing Director****R.Kamala Mohan
Director****Chennai, May 30, 2011**

ERP SOFT SYSTEMS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS OF ERP SOFT SYSTEMS LIMITED AND SUBSIDIARIES

<u>SCHEDULES</u>	(In Rupees)	
	<u>31.03.2011</u>	<u>31.03.2010</u>
SCHEDULE 1- SHARE CAPITAL		
Authorised Capital 4,500,000 equity shares of Rs.10/- each	<u>4,50,00,000</u>	<u>4,50,00,000</u>
Issued, subscribed and paid up capital 3,960,000 equity shares of Rs.10/- each	<u>3,96,00,000</u>	<u>3,96,00,000</u>
SCHEDULE 2 - RESERVES AND SURPLUSES		
Translation Reserve		
Balance brought forward from previous period	19,42,093	53,50,929
Additions/(Deletions)	<u>-2,48,156</u>	<u>-34,08,836</u>
Currency Translation Reserve	<u>16,93,937</u>	<u>19,42,093</u>
Profit and Loss Account		
Balance brought forward from previous year	4,57,04,719	4,13,77,921
Profit for the year	<u>39,03,401</u>	<u>43,26,798</u>
Balance carried forward	<u>4,96,08,120</u>	<u>4,57,04,719</u>
Summary of Reserves and Surpluses		
Balance brought forward from previous year	4,69,54,576	4,67,28,850
Additions	36,55,245	9,17,962
Deletions	<u>(16,736)</u>	<u>-6,92,237</u>
Balance Carried Forward	<u>5,05,93,085</u>	<u>4,69,54,575</u>

ERP SOFT SYSTEMS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS OF ERP SOFT SYSTEMS LIMITED AND SUBSIDIARIES

SCHEDULE 3 - FIXED ASSETS (April 2010 - March 2011)

(in Rupees)

PARTICULARS	GROSS BLOCK			ACCUMULATED DEPRECIATION			NET BLOCK	
	As on	Additions	As on	As on	Depn for the	As on	As on	As on
	April 1, 2010		March 31, 2011	April 1, 2010	period	March 31, 2011	March 31, 2011	March 31, 2010
Furniture and Fittings	1,27,920	26,340	1,54,260	1,14,701	9,435	1,24,136	30,124	13,219
Computer and Peripherals	3,20,470		3,20,470	1,78,325	12,222	1,90,547	1,29,923	1,42,145
Computer Software	94,50,660		94,50,660	70,24,858	10,45,160	80,70,018	13,80,642	24,25,802
Printer	8,603	0	8,603	325	325	650	7,953	8,278
Furniture & Fittings	7,00,000	0	7,00,000	3,50,000	3,50,000	7,00,000	0	3,50,000
Air - Conditioner	66,501		66,501	0	3,578	3,578	62,923	66,501
Motor cycle	0	35,000	35,000	0	3,325	3,325	31,675	0
Car	0	6,27,580	6,27,580	0	0	0	6,27,580	0
Total	1,06,74,154	6,88,920	1,13,63,074	76,68,209	14,24,045	90,92,254	22,70,820	30,05,945
Previous year - 31st March, 2010	98,99,050	7,75,104	1,06,74,154	46,72,072	17,74,029	76,68,209	30,05,945	40,04,872

ERP SOFT SYSTEMS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS OF ERP SOFT SYSTEMS LIMITED AND SUBSIDIARIES

SCHEDULE 4 - INVESTMENTS

ERP Info Systems	3,51,86,462	3,53,35,702
Yashavee Investment Consultants	1,36,00,000	1,36,00,000
Sagar Power Private Ltd	15,00,000	15,00,000
Unifi Wealth Management Limited (PMS)	15,68,572	14,63,370
	<u>5,18,55,034</u>	<u>5,18,99,072</u>

SCHEDULE 5 - CURRENT ASSETS, LOANS AND ADVANCES LESS CURRENT LIABILITIES

	3,60,67,231	3,16,49,559
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SCHEDULE 6 - OTHER INCOME

Interest Income	8,084	3,214
Income from Capital Gains	1,14,067	4,00,854
Dividend Income	13,398	6,756
Tax Refund	8,889	3,04,137
Excess Income Tax -Previous Year	0	0
	<u>1,44,438</u>	<u>7,14,961</u>

SCHEDULE 8 - GENERAL AND ADMINISTRATIVE EXPENSES

Advertisement	15,222	11,149
Audit Fees	39,400	20,000
Automobile Expenses	34,208	5,133
Bank Service Charges	19,281	4,371
Books and Periodicals	5,936	7,452
Communication Expenses	83,649	1,12,128
Dues and Subscriptions	1,68,626	16,082
Electricity Charges	7,373	4,736
Insurance	39,501	65,034
Licenses and other fees	8,400	36,047
Listing Fees	31,603	1,52,505
Miscellaneous	1,13,025	9,45,676
Office Maintenance	94,016	89,599
Professional Fees	1,23,443	16,11,860
Printing and Stationery	21,816	27,189
Repairs and Maintenance	51,308	12,050
Rent	3,60,828	6,63,900
Software & Web Development Charges	1,98,360	4,50,000
Staff Welfare Expenses	19,770	12,689
Travelling and Conveyance	14,65,803	85,875
Taxes	3,07,392	9,581
Website	1,62,339	2,31,687
	<u>33,71,298</u>	<u>45,74,742</u>

CONSOLIDATED FINANCIAL STATEMENTS OF ERP SOFT SYSTEMS LIMITED AND SUBSIDIARIES

SCHEDULE 8 - NOTES TO ACCOUNTS

Company overview

ERP Soft Systems Limited (ERP Soft), together with its subsidiary is a growing India based provider of IT Services and Business Process Outsourcing (BPO) services. ERP Soft Systems is headquartered in Chennai, India.

1. **Significant accounting policies**

i. **Basis of preparation of financial statements**

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention on accruals basis. GAAP comprise pronouncements of the Institute of Chartered Accountants of India (ICAI), the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India.

ii. **Principles of consolidation**

The consolidated financial statements include the financial statements of ERP Soft Systems and its subsidiary is 100% owned.

The financial statements of the parent company and its subsidiary have been combined on a line by line basis by adding together the book values of all items of assets, liabilities, incomes and expenses after eliminating all inter-company balances/transactions and resulting unrealized gain/loss.

The consolidated financial statements are prepared using uniform accounting policies for similar transactions and other events in similar circumstances.

iii. **Use of estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities on the date of the financial statements and reported amounts of revenues and expenses during the period reported. Actual results could differ from those estimates.

iv. **Fixed assets and intangible assets**

Fixed assets are stated at historical cost less accumulated depreciation.

Interest on borrowed money allocated to and utilized for qualifying fixed assets, pertaining to the period up to the date of capitalization is capitalized. Assets acquired on direct finance lease are capitalized at the gross value and interest thereon is charged to Profit and Loss Account.

Intangible assets are stated at the consideration paid for acquisition less accumulated amortization.

v. **Investments**

Long term investments (other than investments in affiliates) are stated at lower of cost or market value less provision for diminution in the value of such investments. Diminution in value is provided for where the management is of the opinion that the diminution is of other than temporary nature. Short term investments are valued at lower of cost and net realizable value.

vi. **Provisions and contingent liabilities**

The Company creates a provision when there is a present obligation as a result of an obligating event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the outflow.

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

vii **Revenue recognition**

Services:

Revenue from IT services are recognized as services are performed when arrangements are on a time and material basis Revenue from fixed-price contracts is recognized in accordance with the "Percentage of Completion" method.

Proportionate completion is measured based upon the efforts incurred to date in relation to the total estimated efforts to complete the contract. If the proportionate completion efforts are higher than the related requiring customer acceptance, revenue is recognized only to the extent customer approval has been received.

Revenues from BPO services are derived from both time-based and unit-priced contracts. Revenue is recognized as the related services are performed, in accordance with the specific terms of the contract with the customers

Revenue from support and other services is recognized as the related services are performed in accordance with the specific terms of the contract with the customers.

Provision for estimated losses, if any, on incomplete contracts are recorded in the period in which such losses become probable based on the current contract estimates.

Others:

Profit on sale of investments is recorded upon transfer of title by the Company. It is determined as the difference between the sales price and the then carrying amount of the investment.

Interest is recognized using the time-proportion method, based on rates implicit in the transaction.

Dividend income is recognized where the Company's right to receive dividend is established.

Export incentives are accounted on accrual basis and include estimated realizable values/benefits from special import licenses and advance licenses.

Other income is recognized on accrual basis. Other income includes unrealized losses on short-term investments.

viii **Foreign currency transactions**

The Company is exposed to currency fluctuations on foreign currency transactions. Foreign currency transactions are accounted in the books of account at the average rate for the month.

Transaction:

The difference between the rate at which foreign currency transactions are accounted and the rate at which they are realized is recognized in the Profit and Loss Account.

Translation:

Monetary foreign currency assets and liabilities at period-end are translated at the closing rate. The difference arising from the translation is recognized in the Profit and Loss Account.

The Accounting Standard (AS 11) on “The Effects of Changes on Foreign Exchange Rates”, amended with effect from April 1, 2004 provides guidance on accounting for forward contracts. In respect of forward contracts entered into to hedge foreign exchange risk of highly probable forecasted transaction, the ICAI has clarified that AS 11 is currently not applicable to exchange differences arising from such forward contracts. The premium or discount of such contracts is amortized over the life of the contract in accordance with AS 11 (revised).

In respect of forward exchange contracts entered into by the Company to hedge the foreign currency risk, the premium or discount arising at the inception of forward exchange contracts is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognized in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for the year. The Company uses foreign currency option contracts to hedge its exposure to movement in foreign exchange rates. Any profit or loss arising on settlement or expiry of option contracts is recognized as income or expense for the year.

Integral operations:

In respect of integral operations, monetary assets and liabilities are translated at the exchange rate prevailing at the date of the balance sheet. Non-monetary items are translated at the historical rate. The items in the Profit and Loss Account are translated at the average exchange rate during the period. The differences arising out of the translation is recognized in the Profit and Loss Account.

Non-integral operations:

In respect of non-integral operations, assets and liabilities are translated at the exchange rate prevailing at the date of the balance sheet. The items in the Profit and Loss Account are translated at the average exchange rate during the period. The differences arising out of the translation are transferred to translation reserve.

ix. **Depreciation and amortization**

Depreciation is provided on straight line method at rates not lower than rates specified in Schedule XIV to the Companies Act, 1956. In some cases, assets are depreciated at the rates which are higher than Schedule XIV rates to reflect the economic life of asset. Management estimates the useful life of various assets as follows:

Nature of asset	Life of asset
Plant and machinery	10 years
Office Equipment	3 years
Furniture and Fixtures	5 years
Software	10 years

Fixed assets individually costing Rs. 3,000/- or less are depreciated at 100%.

ERP SOFT SYSTEMS LIMITED

x. **Impairment of assets**

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the Profit and Loss Account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

xi. **Research and development**

Revenue expenditure on research and development is charged to Profit and Loss Account and capital expenditure is shown as addition to fixed assets.

xii. **Income tax**

The current charge for income taxes is calculated in accordance with the relevant tax regulations.

Deferred tax assets and liabilities are not recognized for the future tax consequences that result between the profit offered for income taxes and the profit as per the financial statements of the Company.

xiii. **Earnings per share**

Basic:

The number of shares used in computing basic earnings per share is the number of shares outstanding during at the balance sheet date.

xiv. **Cash flow statement**

Cash flows are reported using indirect method, whereby net profits before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the Company are segregated.

2. **Reserves**

The amount standing to the credit of profit and loss account is after adjustment of brought forward accumulated losses and balance is retained in the profit and loss account.

3. The Company has a 100% equity interest in Libertcom LLC, a subsidiary of ERP Soft and consolidation of financial statements are carried out as per equity method in terms of Accounting Standard 23 "Accounting for Investments in Associates in Consolidated Financial Statements".

ERP SOFT SYSTEMS LIMITED

4. The equity shares outstanding for the year ended March 31, 2011 used in calculating basic earnings per share is set out below

	2011	2010
Equity shares outstanding	3,960,000	3,960,000
Share held by a controlled trust	0	0
Equity shares for computing basic EPS	3,960,000	3,960,000
Net income considered for computing basic EPS (Rs. in Lacs)		

5. The list of subsidiaries is given below:

Direct Subsidiaries	Step Subsidiaries	Country of Incorporation
Libertycom LLC	-	USA

The above direct subsidiary is 100% held by the Company.

6. The related parties are:

Name	Nature	% of holding
D. Sreelatha	Promoter and Principal Shareholder	8.33
D. Sivakumar Reddy	Promoter and Principal Shareholder	8.08
D.Kowsalyamma	Promoter and Principal Shareholder	5.05
K. Parvathi	Managing Director	5.05
D.S. Reddy	Non-Executive Director	3.79
D. Sarojamma	Promoter and Principal Shareholder	5.05
K. Radha Krishna Reddy	Non-Executive Director	2.53
K. Navaneethamma	Principal Shareholder	2.53
K. Sivkumar Reddy	Principal Shareholder	1.89
G. Satish	Principal Shareholder	4.96
K. Chandana	Principal Shareholder	1.89
G. Nagaraju	Principal Shareholder	1.87

The Company had no related party transactions during the year.

ERP SOFT SYSTEMS LIMITED

7. The segment information for the year ended March 31, 2010 follows:

(in Rupees)

Particulars		
	2011	2010
Revenues		
BPO Services	3,26,01,403	2,95,42,198
TOTAL	3,26,01,403	2,95,42,198
Profit before Interest and Tax - PBIT		
IT Services		
BPO Services	44,48,265	47,06,368
TOTAL		
Interest, Dividend & Profit on sale of investments - Net		
Profit Before Tax	44,48,265	47,06,368
Income Tax expense including Deffered Tax	5,44,864	3,79,570
Profit before Share in earnings of Associates and minority interest		
Share in earnings of associates	0	0
Minority interest	0	0
PROFIT AFTER TAX	39,03,401	43,26,798
Segment Assets & Segment Liabilities		
IT Services		
BPO Services	3,62,79,830	31,649,559
TOTAL		
	Shareholder's Funds	
IT Services	0	0
BPO Services	0	0
Corporate		
TOTAL	9,01,93,085	86,554,575

Notes:

- The segment report of ERP Soft Systems Limited and its consolidated subsidiary has been prepared in accordance with the Accounting Standard 17 "Segment Reporting" issued by The Institute of Chartered Accountants of India.
- Segment revenue includes all allocable other income and exchange differences which are reported in other income/general & administrative expenses in the financial statements.
- The Company geographic segment is USA. Revenue from geographic segments based on domicile of the customers is outlined below:

FINANCIAL STATEMENTS OF THE SUBSIDIARY - LIBERTYCOM LLC

BALANCE SHEET AS ON 31/03/2011

(In Rupees)

SOURCES OF FUNDS	schedule		
		31.03.2011	31.03.2010
Shareholders Funds			
Share Capital	1	21,51,744	21,51,744
Reserves and Surpluses	2	3,37,99,044	3,14,67,613
Total		3,59,50,788	3,36,19,357
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block		77,60,460	77,60,460
Less: Accumulated Depreciation		77,60,460	67,90,460
Net Block	3	0	9,70,000
Current Assets, Loans and Advances	4	3,59,50,789	3,26,49,357
Less : Current Liabilities			
Total		3,59,50,788	3,36,19,357

FINANCIAL STATEMENTS OF THE SUBSIDIARY - LIBERTYCOM LLC

PROFIT AND LOSS ACCOUNT FOR THE PERIOD 01/04/2010 TO 31/03/2011

INCOME	Schedule	(In Rupees)	
		31.03.2011	31.03.2010
Sales and Services		2,80,49,522	2,46,69,456
Other Income		19,823	304137
Total		2,80,69,346	2,49,73,593
EXPENDITURE			
Cost of Sales and Services		2,19,10,686	1,82,02,686
General and Administrative Expenses	7	26,09,072	34,30,121
Depreciation		9,70,000	13,28,353
Total		2,54,89,759	2,29,61,160
PROFIT BEFORE TAXATION		25,79,587	20,12,433
Provision for Taxation including FBT		0	0
PROFIT AFTER TAX		25,79,587	20,12,433
ACCUMULATED LOSSES BROUGHT FORWARD			
TRANSFER TO RESERVES		25,79,587	20,12,433

ERP SOFT SYSTEMS LIMITED
FINANCIAL STATEMENTS OF THE SUBSIDIARY - LIBERTYCOM LLC

SCHEDULES	(In Rupees)	
	31.03.2011	31.03.2010
SCHEDULE 1- SHARE CAPITAL		
Issued, subscribed and paid up capital (Membership in LLC fully paid up)	<u>21,51,744</u>	<u>21,51,744</u>
SCHEDULE 2 - RESERVES AND SURPLUSES		
Profit and Loss Account		
Balance brought forward from previous year	2,97,54,006	2,77,41,573
Profit for the year	<u>25,79,587</u>	<u>20,12,433</u>
Balance carried forward	<u>3,23,33,593</u>	<u>2,97,54,006</u>
Currency Translation Reserve		
Balance brought forward from previous period	17,13,707	51,22,543
Additions	-2,31,420	-31,63,465
Additions/Deletions (Capital)	<u>-16,736</u>	<u>-2,45,371</u>
Currency Translation Reserve	<u>14,65,551</u>	<u>17,13,707</u>
Summary of Reserves and Surpluses		
Balance brought forward from previous year	3,14,67,613	3,28,64,016
Additions	23,48,167	-11,51,032
Deletions	<u>-16,736</u>	<u>-2,45,371</u>
Balance Carried Forward	<u>3,37,99,044</u>	<u>3,14,67,613</u>

ERP SOFT SYSTEMS LIMITED

SCHEDULE 3 - FIXED ASSETS (April 2010 to March 2011)

(in Rupees)

PARTICULARS	GROSS BLOCK			ACCUMULATED DEPRECIATION			NET BLOCK	
	As on		As on	As on	Deprn for the	As on	As on	As on
	April 01, 2010	Additions	March 31, 2011	April 01, 2010	period	March 31, 2011	March 31, 2011	March 31, 2010
Computer Software	77,60,460	0	77,60,460	67,90,460	9,70,000	77,60,460	0	9,70,000
Total	77,60,460	0	77,60,460	67,90,460	9,70,000	77,60,460	0	9,70,000
Previous year - 31st March, 2010	77,60,460	0	77,60,460	54,62,107	13,28,353	67,90,460	9,70,000	22,98,353

FINANCIAL STATEMENTS OF THE SUBSIDIARY - LIBERTYCOM LLC

SCHEDULE 4 CURRENT ASSETS, LOANS AND ADVANCES & CURRENT LIABILITIES

3,59,50,789 3,26,49,357

SCHEDULE 5 - GENERAL AND ADMINISTRATIVE EXPENSES

Automobile Expenses	34,208	5,133
Advertising Expenses	5,012	949
Bank Charges	17,996	3,418
Books and Periodicals	5,936	7,452
Dues and Subscriptions	1,62,456	3,809
Insurance	39,501	65,034
Miscellaneous Expenses	1,10,909	8,75,389
Office Supplies & Maintenance	34,631	47,900
Postage and Delivery	7,237	4,816
Professional Charges	1,22,443	16,06,860
Rent	63,328	3,95,900
Repairs	9,112	27,058
Software Purchase	41,860	9,242
Supplies		4,205
Taxes	3,07,392	9,581
Telephones	42,080	74,791
Travel	14,42,633	56,897
Website	1,62,339	2,31,687
	26,09,072	34,30,121

FORM OF PROXY

I/ we _____ of _____ in the district of _____ being a member / members of the above named company, hereby appoint _____ of _____ in the district of _____ or failing him/her _____ of _____ in the district of _____ as my / our proxy to attend and vote for me/us and my/our behalf at the Annual General Meeting of the company to be held at the Corporate office of the company, No. 10-A Tranquil Nest Kamakoti Nagar Main Road Pallikaranai, Chennai 600 100 on Monday, September 29, 2011 at 11.00 am and at my adjournment thereof.

Signed this _____ day of _____ 2011.

Signature/s _____

Ledger Folio No. _____ DPID _____ Client ID _____

No of Shares held _____

- Note: 1. the proxy need not be a member
2. The proxy form duly signed across Re. 1/- revenue stamp should reach the registered office of the company not less than 48 hours before the time fixed for the meeting

Affix
Re . 1/-
Revenue
Stamp

ATTENDANCE SLIP

ERP Soft Systems Limited
Corporate Office: 10-A, Tranquil Nest Kamakoti Nagar Main Road Pallikaranai, Chennai 600 100

I hereby record my presence at the Fifteenth Annual General Meeting of the Company to be held on Thursday September 29, 2011 at 11 a.m. at. No 10-A, Tranquil Nest Kamakoti Nagar Main Road Pallikaranai Chennai – 600 100.

Full name of the member _____
(In block letters)

Ledger Folio No _____ DPID _____ Client ID _____

Number of shares held _____

Signature of member or proxy attending _____

Full name of the proxy _____
(In block letters)

Please give full name of the 1st Joint Holder

Mr./Mrs./Miss _____

Note: Please fill in the attendance slip and hand it over at the ENTRANCE OF THE HALL.