

Annual Report 2010 - 11

nexxoft

THE REAL TIME INTERACTIVE VISUALIZATION

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“Excellence is not a one
time achievement, it is an
ongoing journey”

Nexxoft is committed to provide users with an easy to use 3D integrated application design, simulation, and augmented reality tools needed to develop Training, Security and multi platform Gaming applications powered by XForce™ Gaming Engine.

THE YEAR UNDER REVIEW

Rs. in lacs except per share data

Particulars	FY 2010-11	FY 2010-11	Growth %
Financial Performance			
Income	9587.98	7058.55	35.83
Operating Profit	2431.74	1836.89	32.38
PBT	1034.31	755.84	36.84
PAT	435.40	307.74	-
EPS	3.59	3.56	-
Financial Position			
Fixed Assets (Net Block)	3907.63	4045.15	-3.39
Net Current Assets	2317.88	1553.59	49.19
Total Assets	6625.51	5598.74	18.33
Debt	2194.15	2709.94	-
Deferred Tax	849.41	442.26	-
Share Capital	1214.18	864.18	40.50
Reserves and Surplus	2367.76	1582.36	49.63
Net Worth	3581.95	2446.54	46.40
Market Capitalization	2064.11	15555.33	-

Dear Shareholders

Let me begin by saying that our vision determines our mission, and our solutions are derived from our mission. We started small to eventually make a big impression. How else will you explain the fact that Nexsoft Infotel Ltd, which began as a small ERP solutions & service provider to the manufacturing and industrial sector, has today evolved into a provider of a host of solutions, including 3D Immersive solutions, Advanced security solutions, Remote infrastructure Management solutions, Manufacturing and supply chain solutions, Immersive training solutions to sectors like banking, insurance, medical hospitality; Interactive human interface systems using technologies like multi-touch displays, face recognition, speech recognition, virtual 3D Environment, to target segments like retail stores and outlets, restaurants, hotels, malls, film theaters and commercial complexes, among others. And the best part being, we are today providing the complete range of ERP solutions and have made it our goal to provide end-to-end business solutions, so the customer doesn't have to go anywhere else.

Technology and Operations front:

Nexsoft armed with a unique blend of technology products, proprietary and third party solutions, has earned patronage from prestigious clients such as BEL and General Motors to name a few, within a short span of time.

The company has grown at a CAGR of 75-80% from Financial Year 2007, highlighting unblemished and dedicated efforts from all teams. And this is a reflection of our management skill sets, HR talents, superior technology and the uniqueness of our products and solutions. The company posted a turnover of Rs 13.21 Cr, with PAT of just Rs 25.61 lakhs for the FY 2007, while for the year 2010-11, the turnover and PAT were respectively at Rs 88.51 Cr and Rs – (2.37) Cr, thereby registering stupendous manifold growth.

MaCro-Operational front:

The company's thrust and focus has been on innovation, technology piercing, R&D and the development of unique products and solutions. An offshoot of the above is its products and solutions such as 3D XFORCE Engine & Gaming, RFID solutions and Remote Infrastructure Management, among others. By far, our growth on all fronts is commendable resulting in a pleasing financial position, sizable market capitalization and stakeholders investment growth, among others. We believe in values that really drives us ahead with our vision and vitality. To realize our dream vision of becoming a Global Player providing end-to-end solutions with the unique blend of technology products and service offerings, we seek to:

- Increase from existing & new clients
- Expand geographically
- Continue to invest in R&D, Infrastructure and employees
- Continue to enhance our engagement models and offerings
- Enhance our brand visibility
- Pursue for strategic alliances and strategic acquisitions

We have, at the moment, a strong business model consisting of the following three segments contributing to our growth so

- Proprietary products & solutions
- Third party products
- Training and software services, including management services and service-oriented architecture, among others. believe in thriving for newer opportunities, new segments and deepening of our base to reach our goals

Helping us in our mission to become a Global Player is the global environment we are presently operating under. The economy is recovering; there are sustainable growth projections of the Indian economy and there is stability in the global markets. In addition, we have our own set of internal factors and skill sets that are going to be facilitators in our path of accelerating growth to become a Global Player.

The year under review witnessed yet another feather in our cap with our products –the XFORCE Engine & gaming. We believe that this 3D immersive solution would enable us to deliver a wide range of solutions to our existing customers as well as help us unearth newer opportunities with fresh clients. These products are expected to provide great leverage in scaling up our operations and thereby result in more growth in the near future.

I would like to thank all the stakeholders for believing in us without whose support, this would not have happened.

**With warm regards,
G Dhananjaya Reddy**

Board of Directors

G Dhananjaya Reddy –Chairman

Executive Directors

Dinesh Kavoor

Independent Directors

Jayaram S
Ganesh Rao
Satyanarayana
Zubair Sheikh

Auditors

Hariharan & Associates
304 B, 3rd Floor, #21,
HVS Court, Cunningham Road,
Bangalore

Bankers

Oriental Bank of Commerce,
Richmond Road Branch, Bangalore

Registered Transfer Agents

M/s Ventur Capital & Corporate Investments Pvt. Limited
Hyderabad.

Registered Office

301, 3rd Floor, Sahiti Arcade,
SR Nagar, Hyderabad 500038

Development Centres

Bangalore
29/1, Beretina Agrahara,
Hosur Main Road, Electronic City Post,
Bangalore – 560100

Hyderabad
301, 3rd Floor, Sahiti Arcade,
SR Nagar, Hyderabad 500038

General

Nexsoft Infotel Limited ("Nexsoft" or the "Company") started in 1991 is a Public limited company listed in the Bombay Stock Exchange with initial focus on solutions for manufacturing & industrial sector.

We design, develop and market a suite of 3-D Interactive Technologies related to Gaming, Simulation, Augmented Reality, RFID based security & people tracking solutions and enterprise resource planning, rapid prototyping tools and systems that enable complex three-dimensional objects and interactive applications to be produced directly from computer with nearly no programming.

Our customers use our systems to produce Interactive 3-D applications using commonly available 3-D Digital Asset Creation computer-aided design software, often referred to as 3D Studio software, or other digital-asset Creation softwares. Our systems' ability to produce Real Time Interactive rich computer applications from digital art enables customers to Create detailed prototypes or production-quality applications quickly and effectively without a significant investment in expensive tools, greatly reducing the time and cost required to produce applications.

Our systems use X-Force software engine core which is a strong technology platform that supports real-time 3D graphics and visualization. The platform supports the most advanced visual rendering techniques such as advanced shader pipeline (for simulating near realistic materials and surfaces), post processing effects such as bloom, HDR lighting, deferred shading etc. The engine comes with a set of built in tools and editors which allows the developer to Create virtual 3D environments and enables real-time interactivity.

We believe that our software platform enable our customers to develop high quality, functionally rich new products faster and more economically than other, more traditional methods.

Our product development efforts are focused on expanding our portfolio of 3-D Interactive Technologies related to Gaming, Simulation, Augmented Reality, RFID based security & people tracking solutions, enterprise resource planning & manufacturing solutions, which we believe represent significant growth opportunities for our business.

In recent years, we have been working to develop enhancements which improve our overall technology to rejuvenate and reshape our core business while developing new products that address our growing 3-D Interactive Technologies

With respect to the uses of our systems:

- ☐ In 3-D Interactive applications, our systems are used to produce three-dimensional software applications, primarily for visualizing and Creating virtual environments , various design applications and other applications, including supply-chain management, functional modeling, architecture, art, surgical modeling, medical end use applications and entertainment.
- ☐ With our rapid prototyping tools , our software engine platform is used to generate quickly and efficiently product concept models, functional prototypes to test and production systems.

About Us

Nexsoft Infotel Limited is a public limited company listed at the Bombay Stock Exchange. The company's prime focus is on interactive 3D technologies, games, RFID security and people-tracking solutions, besides enterprise resource planning.

Nexsoft is also a premier manufacturing solutions company focused on enabling materials handling, efficiency supplier and collaboration and enterprise resource planning. Nexsoft's development centres are in Bangalore and Hyderabad, the IT hubs of south India. The company is supported by a dedicated, experienced and professional management team. With staff strength of 150, the company is focused on various niche verticals. The technical team consists of a group of feisty technocrats who bring their unique set of skills and innovative products to the table.

Nexsoft is the only Indian company with its own in-house engineered 3D engine technology - the XForce Engine. This makes it easy to customise its products, according to the client's requirements. Some of the company's focus areas include 3D simulations and immersive products, RFID-based people tracking and inventory management, ERP solutions and consultancy services.

The company is the implementation partner for Syspro and Flexsim. In addition, the company has successfully developed several products for people tracking, distribution systems and 3D walk-throughs for many large corporations and MNCs. The company's 3D Immersive Solutions division has worked on several cutting edge technologies and products for such prestigious clients as BEL and General Motors to name a few.

The company isn't new to this sector. Nexsoft began way back in 1991 as a manufacturer of industrial valve systems. In 2000, the company decided to change course and started developing advanced software systems for the Indian and US markets. Today, Nexsoft capitalises on its manufacturing heritage and provides advanced manufacturing technology solutions to its clients. Of late, there has been a significant shift in the manufacturing base from their traditional first world locations in US, Europe and Japan to eastern regions like China, India, Taiwan, Korea and South-east Asia. This is largely because of the low-cost labour readily available in these countries.

Products and Solutions

	<p>Security and Safety</p>
	<p>Immersive Training Platform</p>
	<p>Interactive Human Interface Systems</p>
	<p>ERP Solutions</p>
	<p>Remote Infrastructure Management Solutions</p>
	<p>Manufacturing and Supply Chain Solutions</p>

STRATEGIC PARTNERSHIPS

Name of vendor/entity	Service offerings available	Target market segment
Syspro, SA	ERP	Gulf region and certain chosen industry segments in India [esp Pharma, foundry, engineering]
Flexsim, US	Simulation and planning	Gulf Region
BLUETRONICS FZE,RAK	ITIL [in the first phase, a buyout of certain components is being contemplated for enriching Nexsoft's offerings in the RIM space]	Domestic IT segment and the Gulf [with other possibilities in the SE Asia region being explored]
Computer Guru, INDIA	Security	Indian IT market, which has a huge need for security – initial target would be the enterprise software vendors
X –Man [name of product]	Supply chain and warehouse management – this is a proven product with installations for most of the large fashion houses in India, and Nexsoft is currently into confidential discussions with them for a strategic relationship/stake buyout	Retail, logistics, warehouse management, supply chain etc

An Outline of Products and Solutions

NexxDesignStudio 3D framework is designed to be a high-end technology platform to accelerate development of 3D Real-time Interactive Visualisation (RIV) applications. Using XForce TM Engine Technology, one can Create highly immersive and interactive applications which can be used to meet many requirements. XForce TM aims at being the best 3D RIV Engine to develop high quality 3D games for different platforms (XBOX 360, PC, Zune, Windows Phone), real-time 3D-enabled simulations (like driving simulators, defense simulations, machinery & equipment simulators, real life process modeling, simulations for advanced training...). The key differentiator that XForce TM will bring is the ability to develop these high-end applications with minimal or nil programming. XForce TM shall accomplish this by using visual WYSIWYG editors, simple English-based sCRIPTing system and a range of other middleware tools and helpers.

Target segment & growth potential

XForce TM is targeted as the ultimate technology platform for the 'Serious Games' market space where gaming technology is used for advanced learning. It is proven that learning using an interactive game-based learning approach has proven benefits such as higher retention, quicker learning, better efficiency and greater confidence in operations. The 'Serious Games' industry is projected to be a 11 billion dollar industry by 2011 and is consistently growing beyond expectations. It is to be noted that the 'Games & entertainment' sector is the biggest industry in the last 10 years, with the Games industry being roughly a 45 billion dollar industry. No wonder, you have industry giants now focusing on it like never before, including Microsoft, Sony, Apple & Nintendo.

Vision

The final vision for the product is to have the technology available online through a simple shopping cart business model where users can purchase our technology framework and required modules, according to their needs. The goal is to have the simplest possible framework for anyone to be able to use with very little or no training to develop high quality 3D RIV products for their simulation, training, evaluation or entertainment needs. Just like one would use Powerpoint to Create presentations, we would like NexxDesign Studio 3D to be the tool to develop next-gen 3D RIV applications and products.

Demand statistics ERP/Enterprise Solutions

The Indian ERP /Enterprise application market has been growing at a CAGR of more than 30%. The SME segment, in particular, is now the fastest growing, as this segment traditionally lagged behind in technology adoption and up gradation. Its market is now worth more than Rs 500 Cr (including license fees, services, etc). With the top-end of the market getting saturated and collaboration being the need of the hour, vendors focusing on these specific requirements of integration and collaboration are best positioned to take advantage of this situation. Here is where Nexxoft has solutions, both proprietary and third party, to make an impact. The company intends to use a judicious approach of positioning both proprietary and third party solutions, depending on the client requirements. There has been sufficient traction in both these offering areas, as will be evident from the pipeline report annexed.

The market in the Gulf area too has been growing at a rapid pace. The burgeoning oil prices and a stable investment regime in major Gulf countries (especially comprising the UAE region) has

resulted in the rapid growth of FDI in technologically-enabled processes to ensure greater efficiency. A recent study by IDC has stated that the market will grow to about US\$ 500 million in the year 2008 (from US\$ 300 million in 2007) and is slated to continue to grow at a CAGR of around 30%. The key segments (besides financial services) are logistics, supply chain, manufacturing and RFID.

Quotable quote:

“Several countries in the region, particularly the Gulf states, are investing heavily in modernising and strategically diversifying their economies, spurring tremendous growth in the EAS market,” says Vinay Nair, Senior Research Analyst, IDC MEA. “In the key verticals like retail, and manufacturing, companies are adopting progressive IT strategies and boosting their EAS investments accordingly.”

Companies across the region invest most heavily in Enterprise Resource Planning (ERP) solutions. This segment soared by a third in 2006 to almost \$206 million. Customer Relationship Management (CRM), as part of enterprise application suites, was second most in demand, shooting up by 97.5% year-on-year to \$38.5 million. Supply Chain Management (SCM) was third with a value of \$33.80 million, which represents an almost 39% year-on-year increase in spending.

Service oriented architecture based services

The Service Oriented Architecture [SOA] market is now a huge opportunity. This is a technical development that has positively impacted the offerings and opportunity around the enterprise application space, which we have mentioned is a space that Nexsoft has a fairly strong presence in. SOA fits in tightly with the businesses that the group serves, especially businesses such as retail, where the customer touch points are most likely to be a requirement of service and which has to be seamlessly delivered through the technology chain. There is now a convergence of enterprise applications through service oriented architecture, and this is fast becoming a thriving large space. SOA, an enabling technology where enterprises pursue componentised architecture (some owned/managed for business reasons and others in public space) for anytime use, is the route to take. Overall, the drivers for future enterprises would be applications with open and flexible architectures.

The current size of the SOA market is about USD 60 billion. Out of this segment, manufacturing and supply chain will be one of the fastest growing segments. The domestic SOA market is estimated by Gartner & Forrester to be about USD 3 billion, and growing at the rate of 20% CAGR.

Distribution management software

Nexsoft is pioneering a new category of web-based enterprise software, known as Enterprise Demand Management (EDM). EDM will enable companies to move beyond the one-dimensional single-minded forecasting of product markets to the more dynamic and collaborative EDM approach. It will enable companies to lower costs by reducing inventory, and increase revenue by delivering the right products to a receptive market. EDM will act as a continuous 'early warning

system' that enables enterprises to identify their customers' customer and react to changes in demand much more quickly, efficiently and proactively. It will accelerate company efforts to achieve best-in-class demand management practices.

EDM helps manufacturers generate the most accurate forecasts possible and set highly effective replenishment plans. Using Nexsoft EDM product, a manufacturer will be able to collaborate with his customers and suppliers respectively to reduce inventory and achieve more accurate shipments, as they will be directly tied to the forecasts required by the customer. This allows the buyer, seller and carrier to come together for exchanging key information, provide visibility to status data and conformance to plan, and provide processes to jointly derive the plan itself. This is the very essence of (true) collaboration and we are proud to play our part in making this happen.

Nexsoft RFID

Radio Frequency Identification (RFID) can be broadly categorised as 'e-tagging' technology. RFID enables passive object tagging and automatic data capture, using RF sensing as opposed to optical, in case of barcodes. RFID is fast, reliable and does not require physical sight or contact between reader/scanner, eliminating the problems related to barcodes. The range of sensing RFID tags mentioned from a reader varies from a few centimeters to a few meters, depending on the frequency and type of tag (active or passive). The amount of data that can be stored inside RFID tag ranges from a few bits to 1 MB for active tags. The versatility of RFIDs can be gauged from the fact that RFIDs can even be embedded in a piece of paper or in a form that can be permanently tagged to a shirt.

In principle, RFID technology can provide accurate information about the quantities, location, and status of all products at all points within the supply chain. RFID's premise is embedded in its potential for greatly enhancing visibility across the entire supply chain. RFID technology is designed to provide accurate information about the quantities, location, and status of all products (finished, goods in-process, and raw materials), at all points within the supply chain. Such visibility will eventually facilitate greater efficiencies all across the supply chain, resulting in higher inventory turns, major cost savings and extensive cooperation and collaboration among supply chain partners. In the near future, as costs of RFID tags fall and the benefits rise, more and more companies will adopt RFID.

About 15% of the revenues of the company come from this segment. It is a fast growing outsourcing opportunity where several large ticket deals are struck both domestically as well as with customers abroad. In this space, Nexsoft foresees rapid growth as it has tied up with domestic and overseas IT companies for project/ software services work. The project work includes development and customisation of products for the buyers' use. Nexsoft uses its proprietary tools and unique project management techniques for quick development and assured quality of delivery. The focus of these services will be on the following rapidly growing areas:

- ☒ Remote Infrastructure Management
- ☒ Security Environment
- ☒ Enterprise Application Integration.

To help and speed up the execution process in this thriving space, Nexsoft has tied up with consulting firms which hold deep domain expertise.

Key geographical markets and segments for growth

- Domestic IT segment with all our service and product offerings.
- US and European markets, especially for 3D X Force Engine.
- The fast-growing and increasingly sophisticated Gulf region where Nexsoft Offers third party product implementation and horizontal IT services.
- African continent, especially ERP and immersive training.

NOTICE

A NOTICE is hereby given that the TWENTIETH ANNUAL GENERAL MEETING of the members of the Company NEXSOFT INFOTEL LIMITED will be of held at the Registered Office of the company at # Plot No 219, 1st Floor, Phase III, Road No 78, Jubilee Hills, Hyderabad 500033 on Friday, the 30th day of September, 2011 at 09.00 A.M. to transact the following:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as on 31st March 2011, the Profit and Loss Account for the year ending on that date, along with schedules and reports of the Board of Directors and Auditors.
2. To appoint a Director in place of Mr. K Sathyanarayan, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Jayaram S, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint Statutory Auditors M/s Hariharan & Associates and fix their remuneration. The retiring auditors M/s Hariharan & Associates, being eligible, offer themselves for re-appointment.

Place: Bangalore
Date: 01/09/2011

By Order of the Board

G Dhananjaya Reddy
Chairman

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy and the proxy need not be a member. The proxy form, duly filled in all respects, should reach the company at its Registered Office not later than forty eight hours before the commencement of the meeting.
2. Member / Proxies should bring the Attendance Slip duly filled in for attending the meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 26th September, 2011 to 30th September, 2011 (both days inclusive).
4. Members are requested to bring their copies of the Annual Report.
5. Members are requested to notify any change in their address immediately to the Registered Office of the Company.

Place: Bangalore
Date: 01/09/2011

By Order of the Board

G Dhananjaya Reddy
Chairman

DIRECTORS REPORT

Your Directors have pleasure in presenting their 20th Annual Report on our business and operations together with the audited statement of accounts for the year ended 31st March 2011.

REVIEW OF OPERATIONS:

The summary of operations during the year is given below:

	2010-11	2009-10
Income	8851.21	7058.55
Expenditure	7156.23	5221.98
Profit Before Interest and Depreciation	1694.97	1836.57
Depreciation	1066.52	760.58
Interest and Finance Charges	330.91	320.14
Profit Before Tax	297.54	755.84
Profit After Tax	(257.08)	307.74

REVIEW OF PERFORMANCE:

Your Directors feel very happy to report to you on the financial performance of the company for the year under review. It is a really outstanding growth that the company is displaying on a year-on-year basis. During the last financial year 2009-10, the Company has reported a growth of 24.95 % in revenues. And continuing the same trend for the year under review, the Company has registered a growth of 24.94% in revenues and a decline of 7.25% in operating profits. There is a slightly downward trend in the growth comparison with the last financial year (2009-10 to 2010-11) because of the extremely challenging business environment during the financial year 2010-11. In the global economy a number of geopolitical developments have raised new concerns, albeit there were some signs of global recovery. The global developments led to considerable volatility in the prices of commodities and currency exchange rates. Recent developments in the American economy have also impacted the markets. The effects of these global tremors are also being felt by the Indian economy. Rising inflation rates, leading to increased interest rates impacting the rate of growth in the country's Gross Domestic Product, have all impacted on the business considerably. However, we are confident that the overall growth could be maintained in the years to come between 40% and 50% growth rates on a year-on-year basis. If you look at our financial position as on today, the Company has a net worth of Rs 35.81 Cr. represented by share capital of Rs 12.14 Cr. and reserves of Rs 16.57 Cr. The Directors have taken note of the Company debt as on 31st March 2011 which stands at Rs 21.94 Cr. which can be leveraged in future with better financial planning.

However, it is to be noted here that deferred taxes do not involve any cash outflows and they will be set off against deferred tax assets in the future. The higher amount of deferred taxes has been a result of the huge fixed assets acquisition by the Company. Gross fixed assets during the year under review stands at Rs 60.88 Cr., against previous year's gross fixed assets of Rs 46.65 Cr which represents a growth of 30.5%.

During the year, the Company has repaid secured term loans of Rs. 4.31 Cr to M/s Pragathi Capfin Pvt Ltd. and has not borrowed any further debt. You will appreciate that there has been a growth in the fixed assets of the company during the year under review.

MANAGEMENT:

During the year, there was no change in the management team of your company.

CHANGES IN SHARE CAPITAL:

During the year, paid up share capital of the company increased from Rs. 8,64,18,500 to Rs. 121,24,18,500

Company has allotted 35,00,000 equity shares of Rs 10/- each at aggregating issue price of Rs 20/- per share to promoters and to the persons other than the promoters on preferential issue basis.

DIVIDEND

The Company has ploughed back the profits of the Company for the year to the reserves to strengthen the financial position of the company and grow the business. Hence no dividend was proposed by the Board of Directors.

FIXED DEPOSITS

During the year under review, the Company has not accepted any fixed deposits.

HUMAN RESOURCE MANAGEMENT

Our employees are our strength and our assets and to retain them for long is the predominant HR policy of the Company. In a bid to retain our employee force, we have set up a scalable recruitment and resource management mechanism which enables us to attract and retain higher calibre talent across the globe. The primary focus is on increasing the efficiency and effectiveness of the employees, thereby contributing to the organisation's effectiveness. Our total resources are closed to 200 in all the places where we have development centres, representative offices, marketing and coordination offices.

We firmly believe that highly trained and motivated people are the pillars to success and they are the real contributors to the growth of the organisation.

CORPORATE GOVERNANCE

Your company strives very hard to attain the highest values of corporate standards and adheres to the requirements set out in class 49 of the listing agreement, as amended from time to time. The report on corporate governance enclosed here as an annexure forms part of this report.

MANAGEMENT DISCUSSION AND ANALYSIS:

Management discussion and analysis for the year under review, as stipulated under clause 49 of the listing agreement is presented as separate chapter forming part of this report.

BOARD OF DIRECTORS

Mr. K Sathyanarayan, Director of the Company, who retires by rotation at the ensuing Annual General Meeting, and being eligible, offers himself for re-appointment.

Mr. Jayaram S, Director of the Company, who retires by rotation at the ensuing Annual General Meeting, and being eligible, offers himself for re-appointment.

AUDITORS:

M/s. Hariharan & Associates., Chartered Accountants, Bangalore, Auditors of the Company retires at the ensuing Annual General Meeting, and are eligible for re-appointment. The Company has received confirmation from the said Auditors to the effect that their re-appointment, if made, would be within the prescribed limits U/s 224 (1b) of the Companies Act 1956 and that they are not disqualified for such re-appointment within the meaning of section 226 of the said Act.

Approval is also being sought U/s 228 of the Companies Act 1956, for appointment of Auditors to audit the accounts of the branch offices of the Company, if any, outside India.

The notes to accounts referred to the auditor's report are self-explanatory and therefore do not call for any further comments.

PARTICULARS OF EMPLOYEES:

Your Company has not employed any person drawing salary more than Rs. 5,00,000/- per month or Rs. 60,00,000/- per year. Hence, particulars under section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is Nil.

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

A} CONSERVATION OF ENERGY:

Company is not a manufacturing Company, nor is it an energy-based or energy-intensive. However, all possible measures are taken to reduce energy consumptions and constantly evaluate new technologies, mechanisms and invest prudently to make our infrastructure more energy-efficient.

Some of the energy-efficient practices adopted across the facilities of the Company to reduce consumption of power include:

- Installation of energy-efficient lighting.
- Using energy-efficient computers and equipment.
- Energy controlling and monitoring systems.
- Installing advanced electrical equipment and technologies for air-conditioning systems at all upcoming facilities.
- Identification and replacement of outdated and low-efficient UPS systems in a phased manner.
- Installation of energy efficient LCD monitors in place of normal CRT monitors.

Other Energy conservation initiatives:

- Effective management of ventilation to ensure acceptable air quality.
- Turning of lights in all work places when not in use.
- Turning of the air-conditioners during non-peak hours, winter seasons, holidays and other atmospheric conditions when AC is not required.

B} TECHNOLOGY ABSORPTION:

Our R&D team has been on a continuous drive to develop new products, solutions, services, designs, frameworks, technologies, processes and methodologies to remain as innovative as possible in our quality delivery mechanism and to remain as the most customer-preferred end-to-end service provider. We believe that technological obsolescence is not a myth but a reality. So to remain competitive and accept future challenges and opportunities, progressive research and development is the only answer. Therefore, we invest and encourage continuous innovation.

C} FOREIGN EXCHANGE EARNINGS & OUTGO:

Total foreign exchange earned by the Company during the year was Rs Nil lakhs against previous year figure of Rs. 1765.46 lakhs.

Total foreign exchange outgo during the year was Rs. Nil .lakhs against previous year spending of Rs. 1691.75 lakhs.

DIRECTORS' RESPONSIBILITY STATEMENT:

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

1. In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
2. Appropriate accounting policies were selected and applied consistently, and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period.
3. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
4. The annual accounts have been prepared on an ongoing concern basis.

ACKNOWLEDGMENT:

Your Directors wish to place on record their appreciation and gratitude to our Bankers, Share Holders, Customers, Employees and various Statutory Authorities for their support to the Company.

For and on behalf of the Board

**G Dhananjaya Reddy
Chairman**

MANAGEMENT DISCUSSION ANALYSIS

Overview

The Company's operations were conducted in accordance with the established prudent business practices and in a cordial atmosphere with our customers across the globe. The reporting methodologies adopted by the Company are well within the premises of various statutory authorities and the guidelines. Accordingly, the financial statements have been prepared in compliance with the requirements of the Companies Act, 1956, guidelines issued by the Securities and Exchange Board of India (SEBI), listing guidelines of the Bombay Stock Exchange and Generally Accepted Accounting Principles (GAAP) in India. The management of the Company accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used therein.

The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, so that the financial statements reflect in a true and fair manner the form and substance of transactions, and reasonably present our state of affairs, profits and cash flows for the year.

Industry Trends

The IT industry totally revolves around the technology which changes rapidly. Technological innovations and upheavals are driving the market in the most competitive environment, where consumers of products and services are demanding accelerated delivery times and lower prices. They are looking at efficient outsourced technology service providers to address their needs. Technology has evolved from just supporting companies to the level of transforming them. We need to have highly skilled technology professionals in our HR portfolio to address their needs and remain competitive in the market.

Demand Potential

Market size for the serious games is expected to reach USD 11 billion by 2011. According to conservative estimates, it would be ranging between USD 200 million and USD 400 Million per year. Product and enterprise solutions markets are growing at CAGR of more than 30%. IT spending in terms of EAS investment is to grow rapidly in the government sector and retail sector over the coming years. Service-oriented architecture market is expanding in a big way allowing for greater amount of opportunities to players in this space. The current size of the SOA market is about USD 60 Billion. The manufacturing and supply chain industry will be one of the fastest growing segments in this space and assumes, more or less, first position in this division. Further, domestic SOA market is estimated to be about USD 3 billion while growing at the rate of 20% CAGR. ERP market in the Middle East alone is estimated at USD 2 Billion by 2015.

Our end-to-end solutions

With our domain expertise in the segments we operate, we extend comprehensive support and assistance to our clients by leveraging expertise of our technology partners, our R&D team, technology centres to create customised solutions for our clients. Our continuous process of evaluation and training professionals in new technologies and methodologies will enable us to reach high standards of quality and compete in the market. Finally, we ensure integrity of our service delivery, providing customised solutions by utilising scalable secured solutions. We undertake complete project management responsibility till the successful implementation in each of our solution offerings. Our project delivery focus is supplemented by sound knowledge management system that enables us to facilitate existing solutions and also new areas of solutions and facilitate the growth of the customers in their areas of operation. Further, our process, methodologies, knowledge management systems and tools reduce the overall cost to the customers, mitigate the risks and enhance the quality of our offerings.

Key Drivers of our Growth in the Domestic market includes:

- Opportunities in verticals such as Energy, BFSI, Manufacturing, Education, Telecom and Government.
- Increased penetration of computers in the household and SOHO segments.
- Increased investments in IT by the central and state governments in e-governance initiatives.
- Rapid adoption of broadband.
- Increased usage of non-PC devices, especially cell-phones for connecting to enterprise applications.
- Increased focus of Small and Medium-sized software companies on domestic market. This is a fact that is now recognised by the industry's apex body, NASSCOM.

COMPANY OVERVIEW

Nexsoft Infotel Limited is one of India's mid-sized end-to-end solution providers with a wide range of products and service offerings in its basket.

Financial highlights

- ⊙ Income from operations increased by 35.83% from Rs 70.85 Cr in 2009-10 to Rs 95.87 Cr in 2010-11.
- ⊙ EBIDTA is increased by 32.38% from Rs 18.36 Cr in 2009-10 to Rs. 24.31 Cr in the year 2010-11.
- ⊙ PBT increased by 36.84% from Rs 7.56 Cr in 2009-10 to Rs. 10.34 Cr in the year 2010-11.
- ⊙ PAT stands at 4.35 Cr in the year 2010-11 against Rs 3.07 Cr in year 2009-10 due to higher deferred taxes liability.

Segmental Performance

Year/Segment	2010-11	2009-10
Own products and services	1953	1753
3D Engine and gaming	1987	952
Third party products and services	3025	2556
Horizontal IT services in security and Infrastructure management [RIM]	1589	1349
Software development [chiefly geared towards Service oriented architecture market and RFID consulting]	297	302
Training		142
TOTAL	8851	7054

Delivery Methodology

In order to mitigate the risk of hiring and having a high head count, Nexsoft has adopted a hybrid model of in-house development using its own employees, supplemented by third party outsourcers. Nexsoft uses a well-proven network of competent vendors, developed over the last couple of years from whom it regularly procures services. This reduces the risk of maintaining a high level of head count, which might be subject to attrition later. This practice of outsourcing is common and well established in the software industry (similar to the automobile industry, from which the software industry has significantly drawn for

management and financial practices). This also keeps costs down, as Nexsoft is in a better position to bargain for the best price, based on value parameters.

PROJECT MANAGEMENT:

- In order to ensure the best quality, Nexsoft uses best practices for its project management. Key practices are:
 - Software release life cycle best practices.
 - More frequent “internal releases” for review and testing.
 - Development, QA, test groups are aligned as far as allocating their individual group workflows and various groups shift the backlog back and forth between each other.
 - A Release Program Manager (RPM) for each phase. This ensures close coordination and communications with all the Release stakeholders. Helps in managing the sub-contractor releases.
 - Strong culture of adherence to “drop dead dates” – this has been one of the strongest points in the company’s favour.
 - A good configuration and build environment with the assistance of the project managers.
 - A smooth, well-oiled post-release process to ensure consistency and timeliness of all releases.
 - Constant tracking of development and integration, as part of software release life cycle processes.
 - Constant testing of interfaces, which is Critical to the quality of the project.

FINANCIAL MANAGEMENT OF PROJECTS TO ENSURE THERE IS NO OVERRUN

- Nexsoft has a strong fiscal discipline embedded within each project to ensure that there are no cost or schedule overruns. The key aspects of the financial management practices followed by Nexsoft, with regard to projects are:
 - Creation of WBS structure for each phase. This will evolve into a detailed work plan against which milestones and costs will be budgeted.
 - The WBS will be detailed for each activity and task.
 - The project manager and the team lead will be responsible for management of the WBS schedules.
 - Each task has a specific owner to ensure complete accountability.
 - Budgets and costs will be constantly monitored, measured and reported – the costs also include all anticipated elements of risk, with their corresponding risk budgets.
 - Little scope for overruns, based on current scope and project architecture.
 - Experienced financial management team in place to ensure efficacy of monitoring.
 - Good contract management practices with vendors and sub contractors.
 - Careful selection of sub contractors and suppliers on the basis of specific Criteria and prior experience by the promoter and the project managers.

INTERNAL CONTROL SYSTEM

The Company has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorized use or disposition, and that all transactions are authorized, recorded and reported correctly. The Company also takes appropriate measures for safeguarding its properties and assets. This includes conducting inspections, safety audits and risk management. The Company has a clearly defined organization structure and authority limits and strictly adheres to corporate policy with respect to financial reporting, project appraisal and budgeting for all operating business units and service functions. The internal audit department reviews key business processes and controls. The Audit Committee of the Board of Directors deals with the significant control issues raised by internal and external auditors. The CEO and CFO certification provided in the CEO and CFO Certification section of the Annual Report discusses the adequacy of our internal control systems and procedures.

Capital and Reserves

Presently the Company has got only one class of shares i.e Equity Shares of Rs 10/- face value. Authorised Share Capital of the company is Rs 37,00,00,000 divided into 3,70,00,000 equity shares of Rs,10/- each

During the year review company has allotted 35,00,000 equity shares of Rs 10 each at a premium of Rs 10 each on preferential issue basis.

Reserves during the year stands at Rs 2367.76 lakhs breakup of which is as follows:

Capital Reserves	7.93 lakh
Share Premium	569.00 lakh
Balance in Profit & loss account	1790.84 lakh

Fixed assets:

During the year the Company has made additions of 1423.37 lakhs to the fixed assets by which gross block amounted to 6088.67 lakhs as compared to Rs.4665.30 lakhs in the previous year. Gross block comprises of the following

(Rs.in Lacs)

Computers and software	5937.59
Office Equipments	53.35
Furniture and fixture	87.93
Vehicles	9.78

Sundry Debtors

Sundry Debtors amounted Rs. 2398.11 as of 31 March 2011. These Debtors are considered good and realizable. The need of provisions is assessed based on various factors including collectability of specific dues, continuity of business with the customer, risk perceptions of the industry in which the customer operate, general economic factors which could affect the customer's ability to settle and on the management's perception of the risk.

Loans & Advances

Advances include advances to staff and against expenses. Advance Income Tax represents payment made towards tax liability and also our liability towards income tax is fully provided for. The salary advances represent advances to employees which are recoverable within a year.

Current Liabilities

Sundry Creditors for Goods and Services represent amounts accrued for various operational expenses.

Provisions

Provisions have been made fully for our tax liabilities and for the dividend being proposed at the ensuing AGM

Interest

We have long-term loan of Rs. 1360.00 Lakhs outstanding as on 31 March 2011 as compared to Rs.1951.53 Lakhs during the previous year. The short term – loan (Cash Credit) of Rs. 834.15 Lakhs outstanding as on 31 March 2011 as compared to Rs. 758.41 during the previous year. A sum of Rs. 330.90 Lakhs was charged as interest on the long - term and short –term loans.

Related Party Transactions:

These have been discussed in detail in the notes to the financial statements

SWOT ANALYSIS

Strengths

1. Focused service offerings geared towards relatively untapped segment [medium scale domestic business segment and the Gulf]
2. Early mover advantage in the Gulf through strategic tie ups with companies such as Syspro, Flexsim etc
3. Good domain understanding of supply chain, manufacturing, logistics, retail and warehousing domains
4. Strong and committed management team, with proven delivery capabilities
5. Tight and focused strategic alliances for point service offerings in emerging areas such as Remote Infrastructure management, security, service oriented architecture
6. Innovative pricing strategy being put in place for locking in customers

Weaknesses

1. Relatively small financial size – we intend to mitigate this through a selective alliance strategy
2. Need to build brand to hire higher profile employees
3. Need to spread market reach outside India – investment requirements might be quite large for building much larger scale.

Opportunities

1. Fast growing domestic and Gulf IT market, with varied requirements
2. Willingness of clients to explore technology based business enablers

Threats

1. Lack of clarity regarding Income tax
2. Need to sustain internal capabilities through constant innovation – this is a common long term threat for the entire software industry

CORPORATE GOVERNANCE REPORT:

Auditors' certificate on Corporate Governance to the members of Nexxoft Infotel Limited

We have examined the compliance of conditions of corporate Governance by Nexxoft Infotel Limited ("the Company"), for the year ended on 31 March 2011, as stipulated in clause 49 of the Listing Agreement of the said Company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the effectiveness with which the management has conducted the affairs of the Company.

For **HARIHARAN & ASSOCIATES**
Chartered Accountants.

M HARIHARAN
PROPRIETOR

Place : BANGALORE

Date : 15-05-2011

AN OUTLINE ON CORPORATE GOVERNANCE

1. Board of Directors:

The Board of Directors of the Company consists of:

Two Executive Directors

Four non-executive Independent Directors

2. Number of Board Meetings held during the financial year 2009-10 and dates:

- i) 30th April 2010
- ii) 31th May, 2010
- iii) 18th June, 2010
- iv) 1st July, 2010
- v) 23th July, 2010
- vi) 30th July, 2010
- vii) 1st Sep, 2010
- viii) 8th Sep, 2010
- ix) 25th Oct, 2010
- x) 1st Nov, 2010
- xi) 23rd Nov 2010
- xii) 10th Feb 2011

Name of the Director	No. Of Board Meetings Attended	Last AGM
Smt. G Nirmala	6	Yes
Sri G D Reddy	12	Yes
Sri Dinesh Kavoor	9	Yes
Sri Ganesh Rao	2	No
Sri Zubair Sheikh	1	No
Sri K Satyanarayana	2	No

Audit Committee:

During the financial year, audit committee met four times on the following dates:

- 1. 28th April, 2010
- 2. 29th July, 2010
- 3. 25th October, 2010
- 4. 2nd February, 2011

Audit Committee consists of the following Directors:

Sri Jayaram S -Chairman

Sri. K Sathyanarayan

Sri. G.D Reddy

Roles & responsibilities:

Internal Audit

- a. Reviewing the adequacy of internal control systems with the management, external and internal auditors.
- b. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- c. Reviewing and discussing with internal auditors and management on significant issues/ findings arising from the internal audit reports and follow up thereon.
- d. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

External Audit

- e. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- f. Discussion with external auditors before the audit commences about nature and scope of audit.
- g. Post-audit discussion with external auditors to ascertain any area of concern. Review of performance of the external auditors.

General

- h. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and Credible.
- i. Reviewing 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.
 - Qualifications in draft audit report.
 - Significant adjustments arising out of audit.
 - The going concern assumption.
 - Compliance with accounting standards.
 - Compliance with stock exchange and legal requirements concerning financial statements.
 - Any related party transactions.
- j. Reviewing with the management, external and internal auditors, adequacy of internal control systems.
- k. Reviewing the Company's financial and risk management policies.
- l. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and Creditors.
- m. Identifying and reporting of the potential risk factors with necessary remedial measures, if any.

In addition to the above, the Audit Committee will undertake such other duties as the Board of Directors delegates to it, and will report, at least annually, to the Board regarding the Committee's examinations and recommendations.

Remuneration Committee:

The Company constituted a "Remuneration Committee" consisting of the

Sri. Ganesh Rao
Sri. Zubair Sheikh
Sri. Dinesh Kavoor

Share Transfer and Investor Grievance Committee:

This Committee consists of the following Directors:

Sri. Zubair Sheikh
Sri. G.D. Reddy
Sri. Satyanarayana

The committee looks after the services of the Registrars and Share Transfer agents and recommends measure for providing efficient services to investors

There was no share transfers pending as on 31st March, 2011. No investor complaints were pending as on 31st March, 2011.

General Body Meetings:

Last three AGMs dates are given below:

- i) 19th AGM 2009-10 held on 30th Sep 2010 at 10.00 AM.
- ii) 18th AGM 2008-09 held on 30th Sep 2009 at 10.30 AM.
- iii) 17th AGM 2007-08 held on 30th September 2008 at 10.30 AM

Chairman of the Audit Committee was present in all the Annual General Meetings.

Disclosures:

(a) Disclosures on material significant related party transactions i.e transactions of the company of material nature with its promoters, the directors or the management, their subsidiaries etc. that may have potential conflict with the interests of the company at large.

There was no such transaction during the year.

(b) Details of non-compliance by the company, penalties, strictures imposed on the company by stock exchange or SEBI or any other statutory authorities on any matter related to capital markets, during the last three years : Nil

General Shareholder information:

AGM: The 20th Annual General Body Meeting of the company will be held on Friday, 30th September, 2011 at the following address at 10.00 AM. # 16-11-515/A/ 1&2, 6TH Floor, TNR Yelishale Commercial Planet, Dilsukh Nagar Main Road, Hyderabad – 500036

Annual results for the year 2010-11	: 15 th May, 2011.
First Quarter results of 2010-11	: 30 th July, 2010
Second Quarter results of 2010-11	: 1 st November, 2010
Third Quarter results of 2010-11	: 10 th February, 2011
Fourth Quarter results of 2010-11	: 30 th April, 2011

Date of book closure:

The share transfer books of the company shall remain closed from **26th September, 2011 to 30th September, 2011** (both days are inclusive) for the purpose of ensuing General Meeting.

Listing on Stock Exchange	Stock Code
The Stock Exchange, Mumbai	
Phiroze Jeejeebhoy Towers	532045
Dalal Street	
Mumbai.	
ISIN No. for NSDL & CDSL :	INE 249HOIO10

Means of Communication

Half yearly results sent to each house hold of shareholder	No. The Company publishes the quarterly results
Quarterly results	No, as the results are published in the newspaper having wide circulation
Newspaper in which published	Telgu- Andhra Prabha English – Indian Express
Website where the results and Other official news releases are displayed	www.nexsoft.com

Dematerialization of Shares & Liquidity:

Trading in Company's shares is permitted only in dematerialized form. In order to enable the shareholders to hold their shares in electronic form and to facilitate scripless trading, the company has enlisted its shares with NSDL and CSDL.

Outstanding GDRs/ADRs/ : The Company has not issued any of these instruments till date

**Warrant or any Convertible instruments,
conversion date and likely impact on equity,
Secretarial Audit for Reconciliation of Capital**

As stipulated by SEBI, a qualified practicing Company Secretary carries out Secretarial Audit to reconcile the total admitted capital with national Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CSDL) and the total issued and listed capital. This audit is carried out every quarter and the report thereon is submitted to the Stock Exchanges where the Company's shares are listed. The audit confirms that the total listed and paid-up capital is in agreement with the aggregate of the total number of shares in dematerialized form (held with NSDL and CSDL) and total number of shares in physical form.

Address for Correspondence:

Sl.No	Shareholders Correspondence for	Addressed to
1	Transfer/Dematerialization/Consolidation/Split of Shares ,Issue of Duplicate Share Certificate, Change of Address of members and beneficial owners and any other query relating to the share of the Company	M/s. Venture Capital and Corporate Investments Ltd., Regd. Office 12-10-167, Bharat Nagar, Hyderabad-500018. Ph: 040 - 23818475 Fax: 040 -23868024 Email: info@vccilindia.com
2	Investor Correspondence/Query on Annual Report	Mr. G Dhananjaya Reddy Compliance Officer, Nexsoft Infotel Limited, #301, Sahathi Arcade, 3 rd Floor, S R Nagar Hyderabad - 500 038 INDIA. dhananjaya@nexsoft.com

Depository Services:

For guidance on depository services, shareholders may write to the Company or to the respective Depositories:-

National Securities Depository Ltd.
Trade World, 4th Floor,
Kamala Mills Compound,
Senapati bapat marg, Lower parel,
Mumbai – 4000013.
Tel : 091-022-24972964 – 70
Fax: 091- 022 -24972993/24976351
Email: info@nsdl.co.in

Central Depository Services (India) Ltd,
Phiroze Jeejeebhoy Towers,
28th Floor, Dalal Street,
Mumbai – 4000023.
Tel: 091 – 022 - 22723333
Fax: 091 – 022 - 22723199
Email: investors@cdslindia.com

Nomination Facility:G

Shareholders holding shares in physical form and desirous of making a nomination in respect of their shareholding in the company. As permitted under section 109A of the Companies Act,1956, are requested to submit to the Company the prescribed form 2B for this purpose.

Company's policy on prevention of Insider Trading:

Pursuant to the requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended, the company had framed a Code of Conduct for prevention of insider trading. Mr. G D Reddy had been appointed as the Compliance Officer for the purpose. The code is applicable to all such employees of the Company who are expected to have access to the unpublished price sensitive information relating to the Company and the same is being implemented as a self regulatory

Share holding pattern as on 31st March, 2011:

Sl.No	Category	No. of Shares	% of shares
1	Indian Promoters	31,78,906	26.21%
2	Indian Public	89,38,861	73.69%
3	NRIs / OCBs	12,033	0.10%
4	Banks/ Mutal Funds/ Financial Institutions	Nil	Nil

Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certification

We, Dinesh Kavoor, CEO and G Dhananjaya Reddy, Chairman, of Nexxoft Infotel Limited, to the best of our knowledge and belief, certify that;

1. We have reviewed the balance sheet and profit & loss account and all its schedules and notes on accounts, as well as the cash flow statement and the directors report;
2. Based on our knowledge and information, these statement do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statement were made, not misleading with respect to the statements made;
3. Based on our knowledge and information, the financial statements, and other financial information included in this report, present in all material respects, a true and fair view of, the company's affairs, the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report, and are in compliance with the existing accounting standards and/or applicable laws and regulations;
4. To the best of our knowledge and belief, no transactions entered into by the company during the year are fraudulent, illegal or violative of the company's code of conduct;
5. We are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the company, and we have;
 - a) designed such disclosure controls and procedures to ensure that material information relating of the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the company's disclosure, controls and procedures. And
 - d) disclosed in this report any change in the company's internal control over financial reporting that occurred during the company's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting;
6. We have disclosed based on our most recent evaluation, wherever applicable, to the company's auditors and the audit committee of the company's Board of Directors (and persons performing the equivalent functions)
 - a) all deficiencies in the design or operation of internal controls, which could adversely affect the company's ability to record, process, summarize and report financial data, and have identified for the company's auditors, any material weaknesses in internal controls over financial reporting including any corrective actions with regard to deficiencies;
 - b) significant changes in internal controls during the year covered by this report;
 - c) all significant changes in accounting policies during the year, if any, and that the same have been disclosed in the notes to the financial statements,
 - d) instances of significant fraud of which we are aware, that involves management or other employees who have a significant role in the company's internal controls system;
7. In the event of any materially significant misstatements or omissions, we will return to the company that part of any bonus or incentive or equity-based compensation, which was inflated on account of such errors, as decided by the audit committee;
8. WE affirm that we have not denied any personnel, access to the audit committee of the company (in respect of matters involving alleged misconduct) and we have provided protection to 'whistle blowers' from unfair termination and other unfair or prejudicial employment practices; and
9. WE further declare that all board members and senior managerial personnel have affirmed compliance with the code of conduct for the current year.

Bangalore
1-09-2011

G Dhananjaya Reddy
CFO,

Dinesh Kavoor
CEO

AUDITOR'S REPORT

To
The Share Holders,
Nexsoft Infotel Limited,

We have audited the attached Balance Sheet of M/s Nexsoft Infotel Limited as at 31st March 2011 and also the Profit and Loss Account for the Year ended on that date annexed thereto. These financial statements are 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 those financial statements are free of material misstatement. An audit includes examining on test based, evidence supporting the amount 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 Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, and on the basis of such checks and verification of the books of account as we considered necessary and to the best of our knowledge and according to the information and explanations given to us during the course audit, we enclose in the annexure a statement on the matters specified in paragraph 4&5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph (1) above and subject to as mention in the notes on Accounts as per para (E) regarding confirmation of balances from sundry debtors, loans and advances and sundry Creditors.
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion, proper Books of Accounts as required by law have been kept by the company so far as appears from our examination of such books.
 - c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the Books of Account
 - d) In our opinion, the balance sheet and profit and loss account 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 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2011 from being appointed as directors in terms of Section 274 (1)(g) of the Companies Act 1956.
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with Accounting Policies and Notes on Accounts (Schedules 14) give the information required by the Companies Act, 1956 in conformity with the accounting principles generally accepted in India:
 - i) In the case of Balance Sheet, of the State of Affairs of the Company as at 31st March 2011, and
 - ii) In the case of Profit and Loss Account, of the Profit for the year ended on that date.

For Hariharan Associates
Chartered Accountants

S/d
(M. Hariharan)
Proprietor

Place: Bangalore
Date: 15.05.2011

ANNEXURE REFERED TO IN PARAGRAPH 1 OF THE OUR REPORT OF EVEN DATE TO THE MEMBERS OF M/S NEXSOFT INFOTEL LTD BANGALORE,ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2011.

1. The Company has maintained proper records showing full particulars including Quantitative details and situation of fixed Assets. The Fixed Assets has been physically verified by the management in accordance with the program of verification adopted by the Company. In our opinion, the frequency of verification is reasonable and to the best of our knowledge, no material discrepancies were noticed on verification.
2. The Company is in business of IT services and Software Development and other Incidental activities and does not carry any stores, spare parts, raw material or finished goods and no discrepancies were noticed on physical verification and the company is maintaining proper records...
3. As per the information and explanations furnished by the management, the Company has neither granted nor taken any loans, to and from Companies, firms or other parties listed in the Registers maintained under section 301 of the Companies Act, 1956. Accordingly, the clauses 4(iii) (b) to (d) of the order are not applicable.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and nature of its business for the purchase of plant and machinery, equipment and other assets. During the course of our Audit no major weakness has been noticed in the internal control.
5. There has been no transactions of purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs.50, 000/- or more in respect of each party have been made at prices which are reasonable where the company rendered similar services to other parties.
6. The Company has not accepted any deposits from the public within the meaning of section 58A & 58AA of the Companies Act 1956 and the rules framed there under.
7. In our opinion the Company has adequate internal audit system commensurate with the size and nature of its business.
8. The central Government had not prescribed maintenance of cost records under section 209(1) (d) of the Companies Act, 1956.
9. (A) According to the records of the Company, the Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education protection fund, the Employees State Insurance, Income tax, Sales tax, Wealth Tax, Custom duty, Exercise duty, Cess and other statutory dues applicable to it.
(a) According to the records of the Company there is no dispute about amount pending with regards to sales tax, Income tax and other Statutory Liability.
10. The Company has no accumulated losses and has not incurred cash loss during the year and in the immediately preceding financial year.
11. Based on our Examination of the records and the information and explanation given by the management, we are of the opinion that the company has not defaulted in repayment of dues to Banks.
12. Based on our Examination of the records and the information and explanations given to us, the company has not granted any loans and/or advances on the basis of security by way of pledge of shares, debentures and other securities.
13. Clause (xiii) of the order is not applicable to the Company as the Company is not a Chit fund Company or nidhi/mutual benefit fund/society.
14. In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments.
15. According to the information and explanations given to us, the company has not given guarantee for loans taken by others.

16. According to the information and explanations given to us, the term loans were applied for the purpose for which the loans were obtained.
17. Based on examination of documents and records made available and on the basis of Information and explanations given to us, the company has not used funds raised on short Term basis for long term investments and vice versa.
18. The company has made preferential allotment of shares to parties and companies covered in the Register maintained under section 301 during the year.
19. No debentures has been issued by the company during the year.
20. The company has not raised money by public by public issues during the year.
21. Based on the audit procedures performed and information and explanation given by The management, I report that no fraud on or by the company has been noticed or reported during the course of our audit.

For Hariharan Associates
Chartered Accountants

S/d

Place: Bangalore
Date: 25.04.2011

(M. Hariharan)
Proprietor

M/s. NEXSOFT INFOTEL LIMITED			
#301, 3RD FLOOR, SAHATHI ARCADE, SR NAGAR			
HYDERABAD - 500 008			
BALANCE SHEET AS AT 31ST MARCH 2011			
PARTICULARS	Sch	As at 31.3.2011	As at 31.3.2010
SOURCES OF FUNDS :			
SHARE HOLDERS FUNDS :			
Share Capital	1	121,418,500	86,418,500
Reserves & Surplus	2	167,528,056	158,236,260
LOAN FUNDS:			
Secured Loans	3	219,415,287	270,994,369
Deferred Tax Liability	4	84,941,378	44,226,296
TOTAL :		593,303,220	559,875,425
APPLICATION OF FUNDS :			
FIXED ASSETS:			
Gross Block	5	608,867,639	466,530,440
Less: Depreciation		218,103,793	187,509,594
Capital Work in progress		0	125,494,780
Net Block		390,763,846	404,515,626
INVESTMENT			
Investments in shares		40,000,000	-
CURRENT ASSETS, LOANS & ADVANCES:			
a) Cash and Bank Balances	6	204,785	452,685
c) Sundry Debtors	7	238,911,055	218,380,933
d) Loans and Advances	8	26,487,549	17,404,246
		265,603,389	236,237,864
Less: CURRENT LIABILITIES & PROVISIONS:			
Current Liabilities	9	72,188,568	64,750,000
Provisions		30,875,446	16,128,064
Net Current Assets		162,539,375	155,359,800
TOTAL :		593,303,221	559,875,426
Significant Accounting Policies & Notes on Accounts	12		

for Hariharan & Associates
Chartered Accountant

For Nexsoft Infotel Limited

SD/-
M Hariharan
Proprietor
Place : Bangalore
Date 25.04.2011

SD/-
G Dhananjaya Reddy
Chairman & Managing Director

SD/-
Dinesh Kavoor
Executive Director

M/s. NEXSOFT INFOTEL LIMITED			
#301, 3RD FLOOR, SAHATHI ARCADE, SR NAGAR			
HYDERABAD - 500 008			
PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDING 31ST MARCH, 2011			
PARTICULARS	Sch	YEAR ENDING 31/03/2011	YEAR ENDING 31-03-2010
INCOME:			
Income earned		885,120,969	705,854,900
	Total	885,120,969	705,854,900
EXPENDITURE:			
Operating Expenses	10	688,169,184	503,850,947
Administrative Expenses	11	27,454,386	18,346,743
		715,623,570	522,197,690
PROFIT BEFORE INTEREST, TAX AND DEPRICIATION		169,497,399	183,657,210
Depreciation	5	106,652,539	76,058,340
Interest & Finance Charges		33,090,601	32,014,344
	Total	139,743,140	108,072,684
PROFIT/ (LOSS) FOR THE PERIOD BEFORE TAX		29,754,259	75,584,526
Provision for Taxation			
Current Tax		14,747,382	
Deferred tax liability		40,715,081	44,810,180
PROFIT/ (LOSS) AFTER TAXATION		(25,708,204)	30,774,346
PROFIT/(LOSS) CARRIED FROM LAST YEAR		135,543,760	104,769,414
Balance carried to Balance Sheet		109,835,556	135,543,760

for Hariharan & Associates
Chartered Accountant

For Nexsoft Infotel Limited

SD/-
M Hariharan
Proprietor
Place : Bangalore
Date 25.04.2011

SD/-
G Dhananjaya Reddy
Chairman & Managing Director

SD/-
Dinesh Kavour
Executive Director

NEXSOFT INFOTEL LIMITED

SCHEDULES FORMING PART OF BALANCE SHEET:	As at 31.03.2011 Rs.	As at 31.03.2010 Rs.
SCHEDULE-1 SHARE CAPITAL:		
Authorised : 3700,00,000 Equity Shares of Rs.10/- each	370,000,000	370,000,000
Issued, Subscribed and Paid up: 12,129,800 Equity Shares of Rs.10/- each fully paid up PY 8629800 Equity Shares of Rs.10/- each Add: Shares forfeited but not reissued 48,200 shares @ 2.50/- paid up	121,298,000 120,500 121,418,500	86,298,000 120,500 86,418,500
TOTAL	121,418,500	86,418,500
SCHEDULE - 2 RESERVES & SURPLUS:		
Capital Reserve	792,500	792,500
Share Premium	56,900,000	21,900,000
Balance in Profit & Loss Account	109,835,556	135,543,760
TOTAL	167,528,056	158,236,260
SCHEDULE - 3 SECURED LOANS LONG TERM		
Pragati Capfin Pvt. Ltd (Secured against the property Belonging to Shareholder and personnel gurantee of Directors)	0	43,153,104
United Bank of India (Secured against the property Belonging to Directors and personnel gurantee of Directors)	136,000,000 136,000,000	152,000,000 195,153,104
SHORT TERM		
OBC Bank CC A/c (Secured against the sundry debtors and propoerty belonging to Director And personnel gurantee of Directors)	83,415,287 83,415,287	75,841,265 75,841,265
TOTAL	219,415,287	270,994,369
SCHEDULE 4 COMPUTATION OF DEFFERED TAX LIABILITY		
Net Block as on 31.03.2011 as per Companies Act	390,763,846	279,020,846
Net block As per Income Tax act as on 31.03.2011	115,872,657	135,893,673
Difference	274,891,189	143,127,173
Tax liability on above	84,941,378	44,226,296
Deffered Tax Liabilty as on 31.03.2011	84,941,378	44,226,296
Deffered Tax Liabilty as on 31.03.2010	44,226,296	6,850,949
Deffered Tax liability for the year	40,715,081	37,375,347

SCHEDULE -5
FIXED ASSETS:

DESCRIPTION OF THE ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1.4.2010	Additions	Deletions	Total 31.3.2011	As at 1.4.2010	for the Year	On Deletions	Total	As at 31.3.2011	As at 31.3.2010
		Rs.		Rs.		Rs.		Rs.	Rs.	Rs.
OFFICE EQUIPMENT	3,349,039	1,986,572	0	5,335,611	446,056	159,079	0	605,135	4,730,476	2,902,984
FURNITURE	2,204,272	6,589,540	0	8,793,812	492,495	139,530	0	632,025	8,161,787	1,711,777
COMPUTERS & SOFTWARE	459,998,514	133,761,087	0	593,759,601	110,450,587	106,291,984		216,742,571	377,017,030	104,097,927
Vehicle	978,615		0	978,615	62,116	61,946	0	124,062	854,553	916,499
Total	466,539,440	242,922,189	0	693,667,859	112,462,954	109,652,539	0	218,042,793	399,599,876	109,689,783
PY	221,080,440	245,450,000	0	466,530,440	111,451,254	76,058,340	0	187,509,594	279,020,846	109,629,187

SCHEDULE- 6

INVESTMENT
200000 equity shares of Rs 10 each at Premium of Rs 10 ea
of Elsoft technologies Pvt Limited
40 % Shares held in Elsoft Technologies Pvt limited

40,000,000

-

40,000,000

-

SCHEDULE- 6**CASH AND BANK BALANCES :**

Cash in Hand
Balance with Bank in Current A/c.

204,785

452,685

-

-

TOTAL

204,785

452,685

SCHEDULE- 7**SUNDRY DEBTORS:**

(Unsecured, considered good)

Due over six months
Others

15,789,874

10,598,750

223,121,181

207,782,183

TOTAL

238,911,055

218,380,933

NEXSOFT INFOTEL LIMITED		
SCHEDULE - 8	As at 31.03.2011 .Rs.	As at 31.03.2010 Rs.
LOANS AND ADVANCES :		
(Unsecured, Considered good, recoverable in cash or in kind for value to be received)		
Loans & Advances - to Suppliers	-	-
Advance payment of Taxes	5,700,000	2,200,000
Other Advances (Inclusive of TDS receivable)	20,787,549	15,204,246
TOTAL	26,487,549	17,404,246
SCHEDULE - 9		
CURRENT LIABILITES & PROVISIONS:		
Current Liabilities:		
Liabilities for Sundry Creditors	61,589,781	54,874,520
Advances from parties		
Liabilities for Expenses	10,598,787	9,875,480
Liabilities for Capital Expenses		
	72,188,568	64,750,000
Provisions:		
Provision of Income Tax	29,830,446	15,083,064
Provision for Fringe Benefit Tax	1,045,000	1,045,000
TOTAL:	30,875,446	16,128,064
SCHEDULE - 10		
OPERATING EXPENSES:		
Software & Product Development expenses	638,456,413	475,530,333
Salaries & Benefits to employees	31,254,897	27,197,863
Electricity charges	18,457,874	1,122,751
Training & Recruitment Expenses	-	-
	688,169,184	503,850,947

NEXSOFT INFOTEL LIMITED**SCHEDULE - 11****ADMINISTRATIVE & OTHER EXPENSES:**

Staff Welfare	1,548,754	1,254,892
Advertisements	698,745	45,895
Postage & Telephones	2,158,975	2,043,599
Printing & Stationery	1,698,574	1,462,029
Audit Fee: As Auditors	165,495	165,495
Rent	6,420,000	1,390,000
Repair & Maintenance	216,987	213,258
Professional Charges	158,970	206,700
System rental Charges	415,987	202,985
Consultancy Charges	745,845	1,254,891
Traveling Expenses	7,258,985	5,487,851
Conveyance	2,987,564	2,356,852
Listing fee	88,515	78,315
Office Maintenance	1,987,569	1,256,842
Consumables	347,851	368,362
E Connectivity Charges	78,452	64,802
Foreign Exchange Fluctuation	-	86,010
General Expenses	278,362	239,423
Vehicle Hiring & Maintenance	198,756	168,542
TOTAL:	27,454,386	18,346,743

General Expenses

Commision & Brokage	0	-
Bank Charges	54,879	42,653
AGM Expenses	74,584	69,238
Misc Expenses	9,415	8,302
Books and periodicals	112,589	100,578
Business Promotion	26,895	18,652
	278,362	239,423

Schedule 12

SIGNIFICANT ACCOUNTING POLICIES

I. System of Accounting:

The accounts have been prepared on the basis of Going Concern concept and under the historical cost convention. The Company adopts accrual basis in preparation of its accounts to comply in all material aspects with applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

II. Use of Estimates:

The preparation of financial statements in conformity with the generally accepted accounting principles requires Revenue from the Software development/services on the time and material basis is recognized based on software developed /services rendered and billed to clients as per the terms of the contracts. In the case of fixed price contracts, revenue is recognized on periodical basis / based on the milestones achieved depending on the execution and delivery of the jobs to the clients. Revenue/Income from sale of traded goods is recognized on dispatch of goods. Unbilled man hours for completed contracts are treated as work in progress.

estimates and assumptions to be made that affect the reported amounts of the assets and liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimates are recognized in the period in which the results are known /materialized.

III. Revenue Recognition:

IV. Valuation of Fixed Assets:

Fixed Assets are valued at cost, after reducing accumulated depreciation until the date of the Balance Sheet. Direct Costs are capitalized until the assets are ready to use and include financing costs relating to any specific borrowing attributable to the acquisition of fixed assets.

V. Depreciation:

Depreciation on fixed assets is provided on straight-line basis at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956. Individual assets cost of which doesn't exceed Rs 5,000/- each are depreciated in full in the year of purchase.

During the Year the company has decided to change the Depreciation rates for the Block Computers and Software.

VI. Foreign Currency Transactions:

Transactions in foreign currency are recorded at the rates of exchange prevailing at the date of the transactions. Monetary items denominated in foreign currencies at the Balance Sheet date are translated at the Balance Sheet date rates.

Any income or expense on account of exchange difference either on settlement or on translation at the Balance Sheet date is recognized in Profit & Loss Account in the period in which it arises.

VII. Export Benefits:

Export Benefits are accounted for on realization basis.

VIII. Lease Rent Transactions:

Lease Rentals are accounted for on accrual basis as per the terms of the agreement.

IX. Provision for Current and Deferred Tax:

Provision for current tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961. Deferred tax assets or liabilities are established at the enacted tax rates. Changes in the enacted rates are recognized in the period of enactment. The deferred tax asset is recognized and carried forward only to the extent that there is a reasonable certainty that the assets will be realized in future.

XI. Earnings per share:

In determining earnings per share, the Company considers the net profit after tax and includes the post-tax effect of any extra-ordinary items. The number of shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share, and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares.

XII. Contingent Liabilities

Contingent liabilities are not provided in the books of accounts and are disclosed separately by way of note.

XII. Retirement Benefits

Gratuity and leave encashment will be charged to profit and loss account in the year of payment and no provision has been made for the same.

Notes to the Accounts

1. Capital and other commitments: Estimated amount of contracts on capital account remaining to be executed and not provided for Rs Nil Lakhs (as on 31.03.2010 Rs Nil Lacs).

2. Contingent Liability – Rs Nil (PY 25 Lakhs)

3. Earning & Expenditure in Foreign currency (on receipt basis) Nil Lakhs (PY- Rs. 1765.46Lakhs) & Outgo – Nil Lakh (PY 1691.75)

4. Depreciation: Company has changed its depreciation policy for Computers and software during the year from 100% to 16.21%. This has resulted in excess profit of Rs. 26,32,56,893, if 100% would have charged over 16.21%.

5. Auditor's remuneration includes

	31.03.2011 (Rs .in Lakhs)	31.03.2010 (Rs. in Lakhs)
Audit Fees	1.25	1.25
Tax Audit fees	0.25	0.25
Company Law, Certification & Other Matters	0.00	0.00
Out of Pocket Expenses	0.00	0.00

6. Related party disclosures:

(i) As per Accounting Standard 17, issued by the Institute Of Chartered Accountants Of India the disclosures of Related Parties and transactions during the period as deemed in the Accounting Standard are given below:

- (A) Subsidiary Companies: Nil
(B) Key Managerial Personnel

Name	Company	Particulars
Mr. G D Reddy- Director	M/s GDR Media Limited	- Purchase of Fixed assets software - Nil
		- Software Development Expenses – Rs. 5,12,00,150.00
	M/s AGS Infotech Limited	- Purchase of Fixed assets software – 8,97,53,540.00
		- Software Development Expenses Rs. 22,29,16,500.00

7. Managerial Remuneration under section 198 of the Companies Act, 1956 paid or payable during the period, to the Directors is as under*(Rs. in Lakhs)*

	31.3.2011	31.3.2010
Salaries and Allowances	32.50	8.50
Contribution to Provident and Other Funds	0.00	0.00
Commission Payable	0.00	0.00
Approximate money value of perquisites and benefits	Nil	Nil

8. Quantitative Details

The main activity of the Company is IT Enabled Services and related software services. The production and sale of such services cannot be expressed in any generic unit. Hence, It is not possible to give the quantitative details of sales and certain information as required under paragraphs 3, 4C and 4d of part II of Schedule VI to the Companies Act, 1956.

9. Earnings per share**Rs in Lakhs**

Sl No	Particulars		2010-11	2009-10
A	Net Profit After Tax	Rs.	(25,708,204)	30,774,346
B	The Weighted Average no of Ordinary Shares for Basic & Diluted EPS	Nos.	12,129,800	86,418,500
C	Nominal Value Per Share	Rs.	10	10
D	Earnings per share(EPS)	Rs.		3.56

10. Balance of sundry creditors, sundry debtors, loans and advances are subject to confirmation.

11. As per the information available with the company there are no outstanding dues to small scale undertakings as at 31.03.2011. (PY Nil)

12. There is no person employed by the company who was in receipt of the remuneration which in aggregate was not less than Rs 24 Lakhs, if employed throughout the year or Rs. 2 Lakhs per month if employed for part of the year.

13. Segment Reporting

Since company business cannot be specifically identified with any of the reportable segments as these are used interchangeably amongst segments, therefore segment wise disclosure could not be furnished.

14. Figures have been rounded off to nearest rupee.

15. Previous year figures have been regrouped / rearranged wherever considered necessary to correspond with current year figures.

As per our report of even date
For Hariharan & Associates
Chartered Accountants,

G Dhanajaya Reddy
Managing Director

M HARIHARAN
Proprietor
M.no 22412

Dinesh Kavoov
Executive-Director

PLACE: BANGALORE

DATE: 15-05-2011

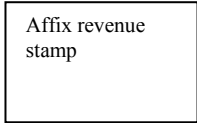
Cash flow for the period ending 31st March , 2011					
	Particulars	For the period ended 31st March 2011		For the year ended 31st March 2010	
A	CASH FLOW FROM OPERATING ACTIVITIES :				
	Net Profit before tax & extraordinary items		29,754,259		75,584,526
	ADJUSTMENTS FOR :				
	Depreciation	106,652,539		76,058,340	
	Bad debts written off				
	Misc Expenses Written off				
	TOTAL		106,652,539		76,058,340
	OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		136,406,798		151,642,866
	ADJUSTMENTS FOR :				
	Sundry Debtors	-20,530,122		-54,423,528	
	Inventories	0		0	
	Sundry Creditors	7,438,568		10,463,311	
	Other Loans & Advances	-9,083,303		-5,777,997	
			(22,174,857)		(49,738,214)
	CASH GENERATION FROM OPERATING ACTIVITIES		114,231,941		101,904,652
	Less: Interest paid				
	Income Tax Paid		-		-
	NET CASH FLOW FROM OPERATING ACTIVITIES:		114,231,941		101,904,652
B	CASH FLOW FROM INVESTING ACTIVITIES :				
	Purchase of Fixed Assets	-92,900,761		-370,944,780	
	Investment in shares	-40,000,000			
	NET CASH FLOW FROM FROM INVESTING ACTIVITIES :		(132,900,761)		(370,944,780)
C	CASH FLOW FROM FINANCING ACTIVITIES :				
	Proceeds from issue of share	70,000,000		58,400,000	
	Proceeds from Short Term Borrowing	-51,579,082		210,994,369	
	NET CASH FROM FINANCING ACTIVITIES :		18,420,918		269,394,369
	NET CASH FROM FINANCING ACTIVITIES:				
D	NET INCREASE/(DECREASE) IN CASH EQUIVALENTS		(247,902)		354,241
	Cash and Cash Equivalents - Beginning of the year		452,686		98,444
	Cash and Cash Equivalents - End of the Year		204,784		452,686

NEXXOFT INFOTEL LIMITED
Regd. Office: 301, 3RD Floor, Sahithi arcade,
SR Nagar, Hyderabad

PROXY FORM

I / Weof
being a member / members of NEXXOFT INFOTEL LIMITED hereby appoint
of or failing him.....
of as my / our proxy to attend and vote for me / us and on
 my / our behalf at the 20th ANNUAL GENERAL MEETING of the said Company to be held at 09.00 AM at Plot No
 219, 1st Floor, Phase III, Road No 78, Jubilee Hills, Hyderabad 500033. on Friday, the 30th day of September,
 2011 and at any adjourned meeting thereof.

Signed this day of Two Thousand and Eleven



Signature(s) of the shareholder(s)

Folio No. No. of Shares Distinctive Nos.

Note: 1. this form must be deposited at the registered office of the company not later than 48 hours before time for holding the meeting.
 2. A Proxy need not be a member.

.....
NEXXOFT INFOTEL LIMITED
Regd. Office: 301, 3RD Floor, Sahithi arcade,
SR Nagar, Hyderabad

ADMISSION SLIP

Regd. Folio No:..... No. of Shares:

I certify that I am registered shareholder / Proxy for the registered shareholder of the Company. I hereby record my presence of the 20th Annual General Meeting of the Company to be held on 30th September, 2011, Friday at 10.00 AM at Nexsoft Infotel Limited Plot No 219, 1st Floor, Phase III, Road No 78, Jubilee Hills, Hyderabad 500033

Name of the Proxy (if any)
 in Block Letters

Signature of Proxy

Signature of member

Note: Please fill this admission slip and hand it over at the entrance of the hall. Those who come to attend the meeting are requested to bring the copies of Annual Report also with them.

NEXSOFT INFOTEL LIMITED
Regd. Office: 301, 3RD Floor, Sahithi arcade,
SR Nagar, Hyderabad

www.nexsoft.com
info@nexsoft.com