

14th ANNUAL REPORT 2009 - 10

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Welcome to Tanla

67% of global population connected

Market moving from Brick & Mortar to Web to Mobile

Mobile phones used for rendering multiple services

Mobile phones transforming economies and the way business is done

Today 67% of the world's population is connected through mobile phone which brings global mobile subscriber base close to 5 billion. The major share coming from developing markets like India, China and African Countries. While other modes of connectivity like Internet are growing but not in pace with cellular penetration. With cellular penetration into developing nations, mobile phones have replaced traditional mode of rendering services.

Mobile services have today moved from traditional voice service to a plethora of value added services, including data services, content download, mobile applications, gaming, mobile payments and banking. This scenario has led to the evolution of new eco system with players who are able to deliver these services to consumers with the support from operators. Players include handset manufactures, network aggregators, content providers, application developers, memory card vendors, retailers.

Mobile apps downloads are expected to increase from over 7 billion in 2009 to almost 50 billion by 2012 growing at the rate of 92% CAGR

All OEMs, big or small, have launched their own app stores including Independent App stores. Off-deck is expected to hold a major share in mobile apps. revenues.

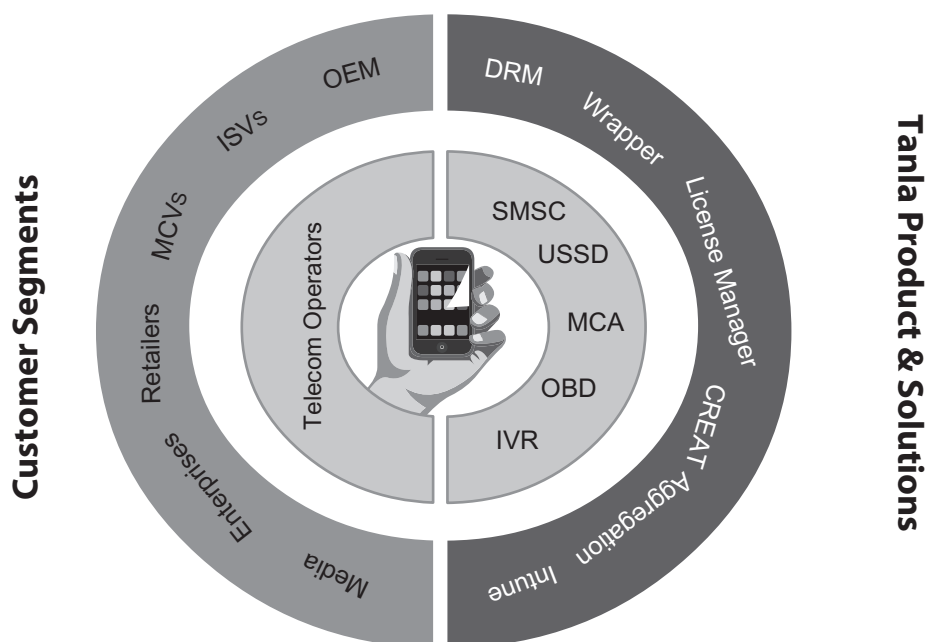
While Mobile operators are trying to differentiate services by offering value added services to subscribers, handset manufacturers and memory card vendors are competing to differentiate their offerings. This change has paved way to bring in new advanced feature packed handsets (smart phones) with wide variety of content pre loaded and application stores. Memory card vendors are now pre loading content on to the memory card for users to try before they purchase the content piece (Try and buy).

The content & application developers are looking at monetizing this new market opportunity by selling their applications/content to mobile users. ISVs, handset manufacturers, content providers and other providers are looking at products & services that will help them reduce time to market and provide multiple buying options to users.

Hence there is a great need for hassle free payment mechanisms for users to purchase. Solutions that can provide multiple buying options based on user behavior and buying patterns, (Try & buy, pay per play, pay per download, subscription). ISVs and content providers are also looking at DRM solutions in order to protect content IPR and avoid any revenue leakage.

Telecom operators are looking at improvising traditional delivery mechanisms of SMS and Voice by adding interactivity to this system. Interactivity helps users to purchase services of their choice instantly. With the advent of Mobile internet, a new access channel has emerged called WAP; all the services that were being offered on internet are moving towards WAP. Enterprises are looking at leveraging this channel, as mobile internet penetration is increasing at a rapid pace. WAP has also become an integral tool for marketing services along with web.

Mobile users' participation in media has brought in new dimension to the way media companies are conducting programs/events. This has also added new source of revenue to media companies apart from the generic ad revenue. Media companies are seeking interactive solutions that enable mobile users to directly participate in their shows thus increasing viewership & rating. WAP sites integrated with billing are being promoted to sell the huge content repository, media companies own.



The evolution of this new ecosystem and need for robust solutions to address this huge market opportunity have necessitated the existence of specialist products & services to support and deliver services to the end user successfully. Tanla is pioneering in this space with its innovative solutions coupled with strong domain and technical expertise.

Tanla's products & services address the needs of the operators to deliver the services to subscribers. Tanla's mobile products suite not only enables Content providers, Application developers but also Content distributors including handset manufacturers, memory card vendors, and Application stores to market their services. Its mobile payments solutions provides multiple payment options to end users (credit/ debit card, Premium SMS, WAP billing) across 160 countries.

Business Model

Tanla is operating on an industry appreciated business model. Tanla is also aggressively working on new business models encouraging customers to participate in providing innovative commercial ideas. Tanla always focuses on enhancing customer satisfaction apart from achieving a wider customer/user base coupled with volumes.

Telecom products are operated on revenue share model and fixed monthly fee model. Economies of scale enable Tanla gain from these models.

In Mobile products vertical, Tanla has introduced a new business model for its flagship products License manager/ wrapper by giving flexibility to offer pay per download, pay per use, pay per play to mobile users. This new business model is set to increase mobile content consumption and volumes. Other mobile products operate on the standard revenue sharing model.

Mobile Payments are operated on revenue share model coupled with periodical minimum guarantees for some of the services.

Growth in mobile usage has opened up new revenue streams for content & application developers. Dynamic pricing options, shorter time-to-market & insight into user behavior through robust analytics are helping operators, content providers, distributors and enterprises to adopt new marketing strategies and drive volumes.

CMD's Welcome



Dear Shareholders,

The last three years have been rather tumultuous with Tanla witnessing dizzying growth rates in line with the telecom industry. Your company had accordingly ramped up capacities and incurred heavy capital expenditure to fuel both organic and inorganic growth. With external factors like regulatory changes and a sluggish uptick in both the US and European economies we have had to temper our growth forecasts. We were quick to spot the trendlines and have accordingly focussed on consolidating our operations and return on equity rather than having an overtly aggressive expansion strategy.

We have taken several proactive steps to control costs across

the board in areas such as personnel, geographical expansion and infrastructural facilities. I can broadly classify these measures as expeditious integration of Openbit's acquisition in terms of shareholding and operational aspects; rationalisation of workforce across its global centres; check on selling, distribution & administration costs and re-evaluation of capital expenditure and most critically focusing on a portfolio of products and services which stand at the very heart of our company. I am confident that the company is on track to come right back to revenues and growth rates it is accustomed to. We see heartening signs of green shoots to validate my belief.

The last year has been a fulfilling one for your company which witnessed new customer acquisitions including Fortune 500 companies. We also entered into a prestigious 5 year contract with global handset major Nokia to provide License Manager (LM) services, Mobile Payments and Professional Services.

Tanla also contracted with leading handset retailer Carphone Warehouse and SanDisk, the largest memory card vendor to provide preloaded content. Preload is to bundle and make available to the user, content like games, applications, music etc., with the product immediately on purchase of handset/memory card. GetJar, largest independent app store, with over 1 billion downloads to date for License Manager and Mobile Payments services. Apart from the above mentioned, our LM product has been selected by Vertu, the premium handset manufacturer in the world & FCC, a total mobile communication provider for mobile preloads. This financial year has also witnessed the closure of a commercial agreement with Telescope Inc, our first customer for Intunes product, a mass-deployable innovative application that can effectively measure singing output on multiple parameters. Tanla has also successfully signed with the first LM client in India, a leading content provider tied up with 3 top telecom operators, viz Airtel, Idea and Vodafone, in the country there by creating traction in the domestic market. All the above breakthroughs are expected to give a fillip to the company's Sales and Profitability.

In terms of financial performance the past year has been a challenging one with a de-growth in revenues from professional services, aggregation and mobile payments. However License Manager Services have shown encouraging growth. The de-growth is primarily attributable to sluggish economic conditions and regulatory changes. Customers had slowed down their marketing spend and large content providers have shelved their planned big one-off campaigns to a future date due to the then prevailing global economic conditions. Nokia's move to provide Maps free of charge on certain devices continues to have a huge impact, on LM revenues.

Going forward Tanla has adopted a four pronged strategy;

1. Leverage on existing products in rapidly growing markets of India, Africa and Latin America
2. Introduce new products like Intunes and License Manager in existing and new markets capitalizing on our demonstrated ability in mature markets
3. Focus on the Indian markets in 3G, Telecom and Mobile products and lastly continue to pursue opportunities for inorganic growth

I am pleased to announce that Tanla has acquired a further stake of 15% in Tanla Oy in April 2010, thereby completing the 100% acquisition in Tanla Oy; we have successfully completed

technical and personnel integration consequent to our complete stake acquisition.

TZ Mobile Private Limited, our joint venture company with Zed Worldwide Holdings announced in the previous year has commenced its commercial operations during the previous financial year. TZ is likely to have a faster and wider traction in the domestic Indian markets, through which we expect to generate revenues from the 3rd quarter of the current fiscal.

A significant milestone achieved in fiscal 2010 was the grant of patent for the innovation "Automated Meter Reading System and Method thereof" by the Singapore Patent Office which is effective from November 2009 and Indian Patent Office effective from July 2010. The other innovations pending with Patent offices in India, Malaysia, EPO, USA, are for applications of Domotics, Automatic Vehicle tracking and Intunes.

I would like to thank my fellow board members, business partners, employees and all other stake holders for their undeterred support to the Company.

Warm Regards,

D. Uday Kumar Reddy,
Chairman & Managing Director

Products / Solutions Update

Unified DRM

There is a need today to have a common approach to rights management for both mobile applications, games and digital content. Currently there are solutions available which either cater to digital content or mobile applications. Even within the Mobile applications, there is a requirement from the application developer to integrate with a third party rights management library and use a third party OMA tool/application for digital content.

The goal is to have a unified solution that can ingest most of the content types including digital content, java applications/ games and android applications, seamlessly apply rights management and make it available for delivery.

Tanla Unified DRM is a comprehensive carrier grade solution that applies rights management on a wide variety of digital content ranging from music, images, java games, android applications.

The process can be fully automatized, from ingestion to rights delivery. As it is completely built on web services, it can be easily integrated into any existing SDP/CMS. It integrates as a middleware between the content ingestion of a CMS and SDP content delivery.

Features

Digital Content DRM Supported

- OMA DRM 1.0 (Forward Lock, Combined Delivery)
- OMA DRM 2.0 (Limited Supported)

Tanla License Manager

Free trial license	Valid n times, days, hours or minutes.
Periodic license	Time based license - Valid n days (On a Rental basis)
Full License	Outright purchase with perpetual license - Unlimited time of use for one
Subscription License	Continuous subscription, renewed after n days.
Club License	Subscription to the complete suite of products, renewed after n days.
Usage License	Session based pay per play, Subscription license, Club Subscription, Usage license

InTunes

InTune is a patent pending product incorporating a new voice analysis algorithm that can continuously track vocal pitch with note creation and apply time neighborhood pattern matching to effectively evaluate singing capabilities of a singer.

InTune tracks 4 critical singing parameters viz., Pitch, Tempo, Expression and Intrinsic Singing.

Pitch Score: This parameter measures the singers' ability to follow the vocal track in the reference song in terms of pitch and scale of singing.

Tempo Score: This parameter measures the singers' ability to keep in pace of the reference song. This measure is related to the rhythm of the song.

Expression Score: This parameter measures the singers' ability to correctly modulate their voice as per the melody in the reference song.

Singing Score: This parameter measures the singers' ability to hit the right musical notes/pitch. This measures the intrinsic ability of a singer to sing correct standard musical notes/pitch.

Features

- Audition Standard voice scoring
- High correlation between Human Judges and InTune Engine Ranking
- High precision tracking: 1/1000th of cent on MIDI scale.
- 3 octaves – continuous/seamless tracking

3G Video Platform

Tanla's 3G Connect video platform offers the most advanced interactive 3G Video services. The platform's unique one2many and one2one+broadcast-many interactive video technology enables service providers to quickly and easily deploy a wide range of interactive 3G video services.

Unlike unidirectional streaming video solutions, Tanla 3G Connect Video offers live interactive sessions between 3G video callers and also third party presenters. This unique capability enables the creation of many different types of services, from simple video meeting rooms to interactive social networks and video chat applications.

Tanla 3G Connect removes the complexity of video call service implementation. Its unique design provides the freedom to deploy the widest array of compelling, interactive, value added video calling services using recorded, live and user-generated content (UGC).

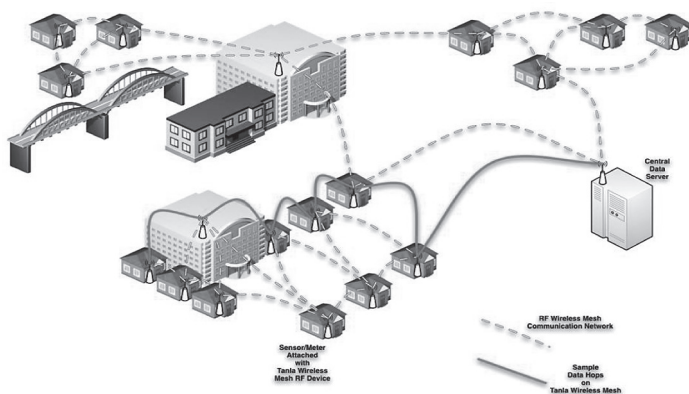
3G Connect offers a completely flexible operating environment, enabling it to be operated in-house or as part of a hosted service environment. Its high availability architecture supports the deployment of multiple simultaneous services with the ability to seamlessly scale caller capacity.

Features

- Connectivity to 3G Carriers (using 3G/H324M or SIP)
- Works with any Video Supported 3G Handset or Video Soft phone
- Integrated Content Management Systems
- Embedded Media Server
- Integrated with Voice XML 2.0 complaint browser
- Integrated with many built-in applications like Video Chat, Video SMS, Video Mail, 3G2Web Video, Video Conference.

AMR Patent

Tanla's innovative Automatic Meter Reading (AMR) system using a wireless mesh networks, provides a cost-efficient solution by exploring the self-organization, self-healing capabilities of the mesh networks and utilizing the state-of-art semiconductor chips and the radio transceivers. Each node in the Tanla Wireless mesh has the capability of two-way communications and may relay or forward the data for the neighboring nodes within the transmit range, hence eliminating the need of installing dedicated communication nodes to collect data. In addition, mesh networking provides the self-healing function by automatically re-routing via other neighboring nodes. The application data characteristics are exploited in the data gathering and dissemination to achieve better energy efficiency.



Automatic Meter Reading (AMR) is an electronics system that provides functionalities of remote meter reading of usage rate of electricity, gas, water and generates billing to charge customers according to supplied amounts for energy suppliers. Utility service providers are increasingly interested in taking the advantages of AMR. The majority of the current AMR is implemented by collecting data walk-by or drive-by, which limits the additional services to be added. Smart meter reading using Tanla Wireless Mesh Technology promises enhanced customer service and greater energy efficiencies.

This not only benefits the utility company, it also allows the customer to monitor their daily energy usage and to optimize their energy usage.

Due to the fact that the meters at residential area are not far away from each other, each AMR node is able to relay or forward the data for its neighboring nodes to the direction of the collection center via short-range wireless communication. Data will eventually reach the collection center. The system will not be limited by the service availability of the cellular networks.

In addition, mesh networking also provides the self-healing function by automatically re- routing via other neighboring node.

Along with the energy-efficient network protocol design, it is possible for the individual devices to run for several years with a pair of AA battery. The data gathering/collection approach may be carried out on a cluster-based, tree constructive based or chain-based mesh network. The selection of appropriate network organization depends on the physical location of AMR nodes and the data features. In addition, distributed data compression and aggregation method have been implemented to improve the efficiency of data gathering. The scalability and fault-tolerance of the protocols are also important issues that have been addressed.

The Tanla AMR invention utilizes an extremely low cost, low range RF hardware reduces the hardware and operational cost significantly. The ad-hoc wireless mesh framework provides an easy mechanism for 3rd party system integrators to integrate with many kinds of meters including water, gas, electricity or any other sensor network like Defense perimeter, environmental monitoring, stress monitoring.

Tanla has been granted patent for this invention in India and Singapore. Tanla has also applied for a patent grant in Europe, where the grant is pending.

Board of Directors

Mr. D. Uday Kumar Reddy

Chairman & Managing Director, the founder promoter of Tanla Solutions Limited is the principal architect of Tanla's leadership, growth and strategy. Under his leadership, Tanla has evolved to be multinational both in its operations and existence. Uday successfully marched Tanla through the acquisition of Tanla Oy, Finland in 2008 & setting up of a JV with Zed Worldwide Holdings in July 2009.

Mr. Gautam Sabarwal

Director- Business Development, has from his career spanning over a decade, developed strong market insights and understanding of the global mobile services industry. He is an integral part of Tanla's strategy planning and leadership team, and is responsible for spearheading the global strategy and organization footprint.

Mr. Satish Kathiriseti

Director – Technical, brings with him 16 years of vast experience in diverse technologies right from hardware design, embedded wireless to user interface and accessibility, thus bringing value to customer needs, through Programming Philosophies and Domain expertise in the areas of Telecom and Systems Engineering.

Mr. Navnit Chachan

Director – Engineering & Technology, has worked extensively in designing, developing, implementing and enhancing software programs in various operating systems and is responsible for deploying and operationalizing all products and services offered by Tanla, managing the corporate IT infrastructure and networks, Systems and Processes.

Mr. Anoop Roy Kundal

Director Operations, is responsible for the company's product delivery. His vast experience in object-oriented designs and enterprise software development and exposure to a wide range of technologies with hands-on leadership has helped Tanla emerge as a leading provider of IT services and mobile solutions for the evolving mobile ecosystem. Based out of Finland, Anoop spearheads software development and service delivery for Tanla and its subsidiaries through his teams.

Mr. Amit Gupta

Director Finance, with a vast experience of having worked across several industries, creating high performance teams and successful businesses spanning over 14 years, is an accomplished leader. He also oversees activities of planning, budgeting, monitoring, managing and reporting the financial operations, global processes, systems, controls and fiscal compliances of Tanla and its subsidiaries.

Padmabhushan Ram Narain Agarwal

Project Director Agni Missile Program, a scientist of great renown, a Master of Engineering in Aerospace Engineering from the Indian Institute of Science, Bangalore, also has several awards to his credit. course in Aeronautical Engineering.

Mr. Surjeet Kumar Palhan

formerly an Industrial Adviser in the Ministry of Industries and Director on the Board of Traco Cable Company, and founder Director of Sri Sringeri Sharada Institute of Management, New Delhi, is an engineering graduate from IIT, Karaghpur.

Mr. Sudhanshu Shekhar Jamuar

a Professor in the department of Electrical and Electronic Engineering, University Putra Malaysia, Malaysia, received his BSc. Engineering Degree in Electronics and Communication from Bihar Institute of Technology, Sindri, followed by an M.Tech and a Ph.D. in Electrical Engineering from IIT, Kanpur.

Mr. Abhishek Khaitan

an LLB (Hons.) and Solicitor, England and Wales, and has served with companies in India and England. He is currently a partner in Bower Cotton Khaitan Solicitors, a boutique firm based in London, specializing in commercial property, company law, litigation and private client.

Mr. Shrikant Madan Chitnis

formerly General Manager with IDBI Bank, has rendered services as Managing Director in Mauritius Development Bank and Consultant to the World Bank.

Directors Report

Your Directors have great pleasure in presenting the Fourteenth Annual Report of your Company together with the Audited Statement of Accounts for the year ended on March 31, 2010.

(In Rs.)

Particulars	Results	
	March 31, 2010	March 31, 2009
Income from operations	510,554,953	1,723,834,549
Operating Profit (EBIDTA)	109,326,111	991,136,043
Less: Depreciation & amortisation	181,496,395	160,462,174
Operating Profit before Tax	-72,170,283	830,673,869
Add: Other Income	66,836,431	72,548,530
Profit Before Tax	- 5,333,852	903,222,399
Less: Provision for Tax	-37,983,035	170,397,201
Profit after Tax	32,649,183	732,825,198
Dividend (incl. dividend tax)	11,872,605	58,497,500
Transfer to General Reserve	816,230	73,282,520
Net Profit Transferred to Reserves	19,960,348	601,045,178
Earnings per share: Basic / Diluted (Re.1 each)	0.33	7.33
Dividend Rate	10%	50%
Share Capital	*100,028,376	100,000,000
Reserves & Surplus	6,460,423,867	6,350,087,514
Total shareholders funds	6,560,452,243	6,450,087,514
Book value per share (Re.1 each)	65.59	64.50

* Weighted average Capital as on March 31, 2010

Subsidiaries

The subsidiaries of Tanla Solutions Limited are (i) MufiThumb Entertainment Pvt Ltd, India (ii) Tanla Mobile Asia Pacific Pte Ltd, Singapore and (iii) Tanla Solutions (UK) Ltd., UK.

Tanla Mobile Ltd (UK) is a subsidiary of Tanla Solutions (UK) Ltd. Tanla Mobile Spain SL, Spain, is a subsidiary of Tanla Mobile Ltd, (UK)

(i) Tanla Mobile Middle East FZ LLC, Dubai,
 (ii) Tanla Mobile Inc, USA,
 (iii) Tanla Mobile Malaysia Sdn. Bhd., Malaysia,
 (iv) Tanla Mobile South Africa Proprietary Ltd, South Africa
 (v) Tanla Mobile Australia Pty Ltd, Australia,
 (vi) Tanla Mobile South Asia Pvt Ltd, Srilanka and
 (vii) Tanla Mobile Ireland Pvt Ltd, Ireland are subsidiaries of Tanla Mobile Asia Pacific Pte Ltd, Singapore.

Tanla Mobile Finland Oy was incorporated by Tanla Mobile Middle East FZ which holds 100% shareholding of Tanla Oy (formerly Openbit Oy) as on date.

Tanla Mobile Australia Pty Ltd, Australia, was deregistered in January 2010 as confirmed by ASIC, Australia.

During the year our Company incorporated:

(i) Tanla Mobile Private Limited, a SEZ Company and wholly owned subsidiary of Tanla Solutions Limited
 (ii) TZ Mobile Private Limited, a joint venture company(JVC), with Zed Worldwide Holdings SL, Spain

Joint Venture

TZ Mobile Private Limited, the joint venture company, is engaged in the business of providing the following services:

- Sale of mobile content and services to end users.
- Carriers' outsourcing services including the Management of carrier's portals.
- Mobile Advertising.
- Design and monitoring of marketing campaigns for Telecom Companies and other companies.
- New MVAS products or services addressable to the direct to consumer market.

These services span across –

- Voice (Songs, dialogs, ring tones, caller tunes etc),
- Text (PSMS, WAP based texts for jokes, astro, info services, etc involving push-pull services)
- Video (voice and video messages)

The business is conducted in accordance with the business plan to be mutually agreed upon by the parties.

Dividend

The Board has recommended a Dividend of 10 % (Re.0.10 per equity share of par value of Re. 1/- each), as per Companies (Declaration of Dividend out of Reserves) Rules, 1975, subject to the approval of the shareholders at the ensuing Annual General Meeting. The Dividend will be paid in compliance with applicable regulations. The final dividend if declared as above, would involve an outflow of Rs.10, 147, 959 towards dividend and Rs.1, 724, 646 towards dividend tax.

The registers of members and share transfer books shall remain closed from September 25, 2010 to September 30, 2010(both days inclusive).

Our Directors propose to transfer Rs. 816, 230 to the General Reserve account retaining Rs. 19, 960, 348 in the Profit & Loss Account, after dividend and dividend tax.

Fixed Deposits

During the financial year 2009-10, the Company has not accepted any deposit under Sections 58A and 58AA of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975

Management Discussion and Analysis

A detailed section on 'Management Discussion and Analysis' (MDA), pursuant to Clause 49 of the Listing Agreement forms an integral part of this Annual Report.

Employee Stock Option Scheme

The grant of stock options to employees is a mechanism to align the interest of employees with those of the Company, to provide them with an opportunity to share the growth of the Company and also to foster long-term commitment. Towards achieving this goal, approval of the members was obtained in the Annual General Meeting held on August 29, 2007, to create, issue, offer options and allot equity shares under the Employee Stock Option Scheme. The Remuneration Committee met on October 16, 2009; and allotted options to the eligible employees.

Disclosure in compliance with Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999), as amended, are as under:

Nature of Disclosure	Particulars	
Options granted	41,75,000 options were granted on October 16, 2009, each option grantee gives the grantee a right to subscribe to equity share of face value of Rs.1/- each	
The pricing formula	At a discount of 20% on the latest available closing market price prior to the date of grant of options of the company on the exchange having the highest trading volume.	
Options vested	Options would be vested with the Employees from Oct 2010	
Options Exercised	No Options were exercised during the year	
Total number of shares arising as a result of exercise of option	No Options were exercised during the year	
Options lapsed	No options lapsed during the year	
Variation of terms of options	No variation has been done	
Money realized by exercise of options	As no options were exercised during the year, no money was realized	
Total number of options in force	41,75,000	
Details of options granted to senior managerial personnel		
Any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year	Name & Designation 1.Vessa Pekka Kirs, Vice-President Tanla Oy, Finland	No. of Options granted 6,50,000
Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant	Name & Designation 1.Arto Lehtonen, Vice-President Tanla Oy, Finland	No. of Options granted 10,00,000
Diluted Earnings per share(EPS)) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS) 20 'Earnings Per Share -	No shares were issued as no options were exercised	
(i) Method of calculation of employee compensation cost. (ii) Difference between the compensation cost using the intrinsic value of the stock options(which is the method of accounting used by the Company)and the Compensation cost that would have been recognized in the accounts if the fair value of Options had been used as method of accounting (iii) Impact of the difference mentioned above in (i) above on the profits of the Company (iv) Impact of the difference mentioned in (i) above on the EPS of the Company	As no shares were allotted during the year 2008-09, this section is in-applicable for this year,	
(i) Weighted Average exercise price of Options (ii)Weighted average fair value of Options		
(i)Method used to estimate the fair value of Options (ii)Significant assumptions used (Weighted Average information relating to all grants):- (a)Risk free interest rate (b) Expected life of the Options (c) Expected volatility (d) Expected dividend yields (e) Price of the underlying share in market at the time of option grant	As no shares were allotted during the year 2008-09, this section is in-applicable for this year,	

Issue of Equity Shares on Preferential Basis

The Company has in accordance with the statutory provisions, including SEBI (ICDR) Regulations, 2009 Guidelines, and with the approval of the members sought through postal ballot, issued and allotted 1,479,593 equity shares of Re. 1 each at a price of Rs. 61.53 including a premium of Rs. 60.53 each fully paid-up, on a preferential basis to the current management team of erstwhile Openbit Oy, Finland (now known as Tanla Oy) on March 24 2010. This preferential issue was made with the objective to augment long-term fund requirements of the Company for ongoing capital expenditure, new acquisitions and for general corporate purposes.

Pursuant to the issue of equity shares on preferential basis, the paid-up equity share capital of the Company increased from Rs. 100,000,000/- to Rs. 101,479,593/- consisting of 101,479,593 equity shares of face value Re.1 each.

Statement Pursuant to Exemption Under SEC 212(8) of the Companies Act 1956

We believe that the Consolidated Financial Statements present a more comprehensive picture rather than the stand-alone financial statements of the Company and each of its subsidiaries. We, therefore, applied to the Ministry of Corporate Affairs, Government of India and obtained vide letter no: 47/128/2010/CL-III dated March 15 2010, an exemption from the requirement of presenting detailed financial statements of each subsidiary. In terms of the approval granted by the Central Government under Section 212(8) of the Companies Act, 1956, copies of the Balance Sheet, Profit and Loss Account, and Report of the Board of Directors and Auditors of the subsidiaries have not been attached with the Balance Sheet of the Company. However, these documents will be made available upon request by any member of the Company. As directed by the Central Government, the financial data of the subsidiaries has been furnished under 'Financial Information of Subsidiary Companies', which forms part of this Annual Report. The annual accounts and related detailed information of the Company including that of subsidiaries will be kept for inspection by any member at the registered office of the company. Further, pursuant to Accounting Standard (AS - 21) prescribed under Companies (Accounting Standards) Rules, 2006, Consolidated Financial Statements prescribed by the Company include financial information of subsidiaries.

Directors

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Padmabhushan Ram Narain Agarwal, Mr. Abhishek Khaitan and Mr. S.S. Jamuar, retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. A brief resume, expertise and details of other directorship and committee membership thereof of these Directors are given in the explanatory statement annexed to the Notice convening the 14th Annual General Meeting.

The Board of Directors in its meeting held on May 14 2010, re-appointed for a period of 5 years, 1) Mr. D. Uday Kumar Reddy as the Chairman & Managing Director of the Company with effect from May 15 2010, 2) Mr. Amit Gupta as the Director-Finance of the Company with effect from April 01 2010. In this Board Meeting, Mr. Navnit Chachan was redesignated as the Director- Technical & Engineering with effect from April 01 2010 and re-appointed for a further period of 5 years with effect from May 01 2010.

Mr. Harish Kumar Villadath, Independent Director has resigned from the Board of Directors with effect from January 28 2010.

A Brief resume of each of the Directors proposed to be appointed/re-appointed, their expertise in specific functional areas and names of the Companies in which they hold Directorship/membership/chairmanship of the Board Committees, as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges has been provided as an annexure to the Notice convening 14th Annual General Meeting.

Directors Responsibility Statement

The Board of Directors in terms of Section 217 (2AA) states that:

- a) in the preparation of the annual accounts the applicable accounting standards have been followed along with proper explanation relating to material departures from the same;
- b) the Directors have selected such accounting policies and applied them consistently and made judgment and estimates that are reasonable and prudent, so as to give true and fair view of the state of affairs of the Company as at March 31 2010 and of Profit of the Company for the year ended on that date;
- c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance

with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d) the Directors have prepared the annual accounts on a "going concern" basis.

Corporate Governance

Our Directors reaffirm their continued commitment to good corporate governance practices and Our Company adheres to all major stipulations in this regard as provided in Clause 49 of the Listing Agreement which relates to Corporate Governance. A detailed report on the Corporate Governance, together with, a certificate of compliance from BS& Company, Company Secretaries, Hyderabad, forms part of this report.

Internal Control System and its Adequacy

The company has proper and adequate systems of internal control system commensurate with the size and nature of its business to ensure protection of assets, proper financial & operating functions and compliance with the policies, procedures, applicable Acts and Rules. The company's internal controls are supplemented by sound internal audit practices. The Audit Committee at their meetings regularly reviews the financial, operating, internal audit & compliance reports to improve performance. Further, the company has an independent internal audit system. The process of internal audit involves, reviewing of existing controls and systems. Internal Audit also recommends the actions for strengthening of the business processes. The internal audit ensures adherence to operating guidelines, regulatory and legal requirements.

Risk Management System

Risk is an integral part of the business process. To enhance the risk management process, the company has mapped the risks. A system has been formulated based on Balanced Score Card with various appropriate measures and accountabilities to identify, assess, prioritise and mitigate the risks. Reports generated from the system are monitored regularly to ensure that appropriate corrective actions are taken.

The company manages business risks through strict compliance and internal checks. It will not be out of context to state that the system has worked very effectively during the year under review.

Statement Pursuant to SECTION 217(2A) of the Companies Act, 1956

Information as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, is given as an Annexure to this Report.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings & Outgo

Conservation of energy

Our operations are not energy intensive; however significant measures are taken to reduce energy consumption by using energy efficient computers and purchasing energy efficient equipment. We constantly evaluate new technologies and invest to make our infrastructure more energy efficient.

Technology Absorption

Research and development of new products, processes and methodologies continue to be of importance to us. This allows us to enhance quality, productivity and customer satisfaction through continuous innovation. Our Company continues to invest in rapidly changing technologies and use them to improve the quality of the products, service offerings, this has resulted in overall reduction in defect rates and a higher level of customer satisfaction.

Foreign Exchange earnings & outgo:

The particulars regarding foreign exchange earnings and expenditure are annexed hereto and forms part of this report.

Transfer of Unclaimed Shares to Suspense Account

As on 31.03.2010, 940 Equity Shares of 16 Shareholders laid unclaimed in the Escrow Account of the Company with the Registrar, due to non-availability of the correct particulars. Despite constant efforts to locate the Shareholder, such as reminders to the address given in the Application form and as captured from depositories database, by the Registrars, viz., M/s Karvy Computershare Private Limited, no response has been received. As a result the said unclaimed shares have been credited to " Tanla Solutions Limited – Demat Suspense Account" in compliance with the provisions of Clause 5A of the Listing Agreement.

Every successful allottee who has not received the shares in his/her demat Account may approach the Company or M/s Karvy Computershare Private Limited, with their correct particulars and proof of their identity for crediting of the Shares from the Demat Suspense Account to their individual demat Account. The voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.

Human Resources

Our Company believes that the quality of employees is the key to its success in the long run and is committed to provide necessary human resource development and training opportunities to equip them with required skills. Our Company has

granted options to deserving employees during the financial year 2009-10, under the Employee Stock Option Scheme 2007, as our Company believes in rewarding performance and providing the employees an opportunity to share the growth of the Company.

Patent & Award

Tanla was granted a Patent by, The Registry of Patents, Singapore, and the indian patent office, for Automated Meter Reading and Method thereof.

A detailed note on the patent has been annexed elsewhere in this report.

Tanla Solutions Limited ranked 25th in the Deloitte Fast 50 Indian 2009 Program. This Program ranks fastest growing technology Companies in India based on their percentage revenue growth over the last three financial years.

Auditors and Auditors' Report

M/s. Ramasamy Koteswara Rao, Chartered Accountants, Hyderabad, Statutory Auditors of the Company, shall hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment. Certificate from the Auditors has been obtained to the effect that their

re-appointment, if made, would be within the limits specified under Section 224 (IB) of the Companies Act, 1956.

The Auditors Report to the shareholders for the year ended March 31, 2010 does not contain any qualification and therefore does not call for any explanation/comments.

Acknowledgement

Your Directors wish to place on record their appreciation for the support extended by government authorities, bankers, customers and shareholders of the Company.

Your Directors also wish to place on record their appreciation for the sincere services rendered by the employees of your Company during the year. Their dedication, teamwork and efficiency have been commendable.

On behalf of the Board of Directors,
Sd/

D. Uday Kumar Reddy
Chairman & Managing Director

Place : Hyderabad

Date : September 05, 2010

Foreign Exchange Earnings & Outgo

a. Imports (valued on the cost, insurance and freight basis)

(in Rs.)

Particulars	For the Year 2009-2010	For the Year 2008-2009
Import of capital goods (on accrual basis)	12,598,165	349,554,718

b. Activity in foreign currency

(in Rs.)

Particulars	For the Year 2009-2010	For the Year 2008-2009
Earnings in foreign exchange (on accrual basis)		
Income from software products and offshore development services	465,737,774	1,547,154,783
Dividends received	0	0
Interest received	18,945,548	23,938,146
Expenditure in foreign exchange (on accrual basis)		
Cost of services	76,977,612	133,509,981
Foreign Travel Expenses	2,900,635	3,020,837
Professional Charges	1,134,921	0
Net earnings in foreign exchange	391,071,989	1,085,007,393

Information as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules 1975, and forming part of the Directors' Report for the year ended March 31, 2010

Employee Name	Date of Joining	Date of Leaving	Gross Remuneration	Designation	Qualifications	Experience in Years	Previous Employment	Nature of Employment
Mr. Rajaram Jayaram Natesaiyer*	21-Jan-08	30-Nov-09	2,569,120.00	Chief Operating Officer	Ph.D	22	Intelli Group	Overall incharge of Company operations
Mr. Ravi Srinivasa Murthy*	9-Aug-07	05-Jun-09	669,912.00	Senior Vice President-Product Development & Strategy	PGDBM, IIM, Lucknow	17	Reliance Communications Limited	Incharge of new product development and business strategy
Mr. D.Uday Kumar Reddy	16-Mar-00	NA	4,254,400.00	Chairman & Managing Director	MBA, UK	13-14	—	As per the resolution passed in the AGM
Mr. Amit Gupta	4-Dec-04	NA	2,865,779.00	Director - Finance	B.Tech, IIT, New Delhi	14	E&Y Pvt Ltd, New Delhi	As per the resolution passed in the AGM
Mr. Satish Kathiriseti	25-Oct-01	NA	2,666,063.00	Director- Technical	M.Tech, MIT, Chennai	16	Serendip Technologies Pvt. Ltd	As per the resolution passed in the AGM
Mr. Navnit Chachan	1-Dec-04	NA	2,914,400.00	Director - Technical & Engineering	B.Tech, IIT, New Delhi	14	Reliance Industries Limited, Jamnagar	As per the resolution passed in the AGM

* These employees were employed during part of the year with an average salary above Rs.2 lakh per month

Note: Remuneration includes basic salary, allowances, taxable value of perquisites, etc. The term remuneration has the meaning assigned to it in the Explanation to Section 198 of the Companies Act, 1956.

None of the employees / directors are related to any director of the Company.

None of the employees / directors expect Mr. D. Uday Kumar Reddy, own more than 2% of the outstanding shares of the Company as on March 31, 2010.

The nature of employment was contractual for Mr. Rajaram Jayaram Natesaiyer & Mr. Ravi Srinivasa Murthy.

CMD & DF Certification

CMD & DF Certification

We, Uday Kumar Reddy, Chairman & Managing Director and Amit Gupta, Director –Finance, to the best of our knowledge and belief, certify that:

We have reviewed the Balance Sheet and Profit & Loss account and all the schedules and Notes on accounts, as well as the Cash Flow Statements and the Directors' Report

Based on our knowledge and belief:

These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

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.

To the best of our knowledge and belief, there are no transactions entered into by the company during the year which are fraudulent, illegal or violate the company's code of conduct.

We are responsible for establishing, maintaining appropriate and evaluating the effectiveness of the internal control systems for financial reporting

We have disclosed to the Company's auditors and the Audit Committee that there are no deficiencies in the design or operation of internal controls for financial reporting that would adversely affect the Company's ability to record, process, summarize and report financial data and there have been no material weakness in internal controls over financial reporting including any corrective actions with regard to deficiencies.

We have indicated to the auditors and the Audit Committee that:

There were no significant changes in internal control over financial reporting during the year

All significant changes in accounting policies during the year, if any, have been disclosed in the notes to the financial statements;

There were no instances of fraud, of which we are aware, that involve the Management or an employee who have a significant role in the company's internal control system over financial reporting;

Sd/-

Sd/-

Place: Hyderabad

D. Uday Kumar Reddy

Amit Gupta

Date: September 05, 2010

Chairman & Managing Director

Director - Finance

Certificate of Code of Conduct

Declaration regarding compliance by Board members and Senior Management Personnel with the Company's Code of Conduct pursuant to Clause 49 of the Listing Agreement

As required by Clause 49 I (D) (ii) of the Listing Agreement, this is to confirm that the Company has adopted a Code of Conduct for all Board Members and Senior Management of the Company. The Code is available on the Company's web site.

I confirm that the Company has in respect of the financial year ended 31st March 2010, received from the senior management team of the Company and the Members of the Board, a declaration of compliance with the Code of Conduct as applicable to them.

Sd/-

Place: Hyderabad

D. Uday Kumar Reddy

Date: September 05, 2010

Chairman & Managing Director

Certificate of the Company Secretary:

I, Ch. Seshanuradha, Company Secretary of Tanla Solutions Limited, hereby confirm that the Company has:

Maintained all the books of account and statutory registers prescribed under the Companies Act, 1956. Filed all forms and returns and furnished all necessary particulars to the Registrar of Companies and/or Authorities as required under the Companies Act, 1956.

Conducted the Board Meetings and Annual General Meeting as per the Companies Act, 1956 and the minutes thereof were properly recorded in the minutes books.

Effected share transfers and dispatched the certificate(s) within the time limit prescribed by various authorities where ever applicable.

Not exceeded the borrowing powers.

Paid dividend to the shareholders within the time limit prescribed and transferred the unpaid/unclaimed dividend to the Investor Education and Protection Fund within the time limit, if applicable.

Complied with the regulations prescribed by the Stock Exchanges, SEBI and other statutory authorities and also the statutory requirements under the Companies Act, 1956 and other applicable statutes in force.

The certificate is given by the undersigned according to the best of her knowledge and belief, knowing fully well that on the faith and strength of what is stated above, the shareholders of the Company will place full reliance on it.

Place: Hyderabad

Date: September 05, 2010

Sd/-
Ch. Seshanuradha
Company Secretary

Certificate regarding compliance of conditions of Corporate Governance

To the Members,
Tanla Solutions Limited

On the request of the Management, we have examined the relevant records of M/s Tanla Solutions Limited (the Company) for the purpose of certifying the compliance of conditions of Corporate Governance for the financial year ended 31st March, 2010. We have obtained relevant 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 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 except the following as stipulated in Clause 49 of the above-mentioned listing agreement:

NON COMPLIANCE OF CLAUSE 49 (I) (A) (II) WHICH STATES AS UNDER:

"Where the Chairman of the Board is a non-executive director, at least one-third of the Board should comprise of independent directors and in case he is an executive director, at least half of the Board should comprise of independent directors."

The Chairman of the Board is an Executive Director, but the Board comprises of 6 Executive Directors and 5 Independent Directors, thus not complying with the provision of having 50% of independent directors on the Board

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

Place: Hyderabad

Date: September 04, 2010

For BS & Company
Company Secretaries
Sd/-
(Chada Srivani)
Associate Partner
C.P.No. 8181

Report on Corporate Governance

Corporate Governance

The Corporate Governance philosophy of Our Company is to ensure fairness and transparency in all dealings and in the functioning of the management and the Board. Our Company is committed to the adoption of best governance practices and its adherence in true spirit, at all times. While striving to achieve the financial targets, Our Company seeks to follow business principles and ethics in all its dealings. Our Company has been regularly implementing the best practices of Corporate Governance in order to attain total transparency, accountability and integrity. With a view to achieve the above objectives, Our Company through formalized Meetings, Committees consisting of key Managerial Personnel, reviews periodically various activities and operations of the Company.

Board of Directors:

Composition of the Board:

As on March 31, 2010, The Board of our Company consisted of five non-executive Directors (one of the non-executive director resigned from the Board on January 28, 2010) and six executive Directors, including an executive Chairman & Managing Director. The non-executive Directors are independent Directors i.e. independent of management and free from any business or other relationship that could materially influence their judgment. All the independent directors satisfy the criteria of independence as defined under listing agreement with Indian Stock Exchanges' Corporate Governance standards.

Board Meetings:

The Board has unfettered and complete access to any information within the Company, and to our employees. At Board meetings, managers who can provide additional insights into the items being discussed are invited. The Board meets at least once a quarter to review the quarterly results and other items on the agenda, and also on the occasion of the annual shareholders' meeting. Additional meetings are held, when necessary. The time gap between two meetings did not exceed four months.

The Board met six times in the financial year 2009-10, on April

30, 2009; July 30, 2009; September 02, 2009; October 30, 2009; January 29, 2010; March 24, 2010.

The Board of Directors plays a primary role in ensuring good governance and functioning of the Company. The Meetings are governed by a structured agenda. All the agenda items are supported by comprehensive agenda notes, containing all the vital information, so as to enable the Directors to have focused discussion at the meeting and to take informed decisions. The agenda and agenda notes are circulated to all the Directors in advance of each meeting of the Board of Directors. Where it is not practical to send the relevant information as a part of the agenda papers, the same is tabled at the meeting. The presentations covering the Company's performance, operations and business strategy are also made to the Board. The Board also reviews periodically the compliance status of all the applicable laws. All the decisions are taken after detailed discussions by the Board Members at the meetings. The Members of the Board have complete freedom to express their opinion and have unfettered and complete access to information in the Company.

Information supplied to the Board:

- Annual operating plans and budgets and any updates.
- Quarterly, half yearly and annual results of the company.
- Minutes of meetings of Audit Committee and other committees of the Board.
- Information on recruitment of senior officers just below the Board level.
- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
- Details of any joint venture, acquisitions of companies or collaboration agreement, if any.
- Quarterly summary of all long term borrowings made, bank guarantees issued, loans and investments made, if any.
- Internal Audit findings and External Audit Management Reports (through the Audit Committee)
- Making loans and investment of surplus funds
- Proposals for investment, mergers and acquisitions, if any
- Dividend declaration, if applicable

Directors' Attendance Record and Directorships / Committee Memberships:

The details of attendance of Directors at Board Meetings and at the last Annual General Meeting are as under:

Name of the Director	Number of Board Meetings Attended	Attendance at Last AGM	No. of Directorships in other Companies	No. of Committee Memberships in other Companies	No. of Committee Chairmanships in other companies
Executive Directors					
Mr. D Uday Kumar Reddy	6	Yes	15**	-	-
Mr. Gautam Sabharwal	Nil	No	14**	-	-
Mr. Amit Gupta	6	Yes	5**	-	-
Mr. Satish Kathiriseti	6	No	2**	-	-
Mr. Navnit Chachan	5	Yes	1**	-	-
Mr. Anoop Roy Kundal	2	No	3**	-	-
Non-Executive Independent Directors					
Padmabhushan R N Agarwal	6	Yes	1***	-	-
Mr. Villadath Harish Kumar*	4	Yes	1***	-	-
Mr. Shrikanth Madan Chitnis	-	No	-	-	-
Mr. Surjeet Kumar Palhan	5	No	-	-	-
Mr. Abhishek Khaitan	-	No	2**	-	-
Mr. Sudhanshu Sekhar Jamuar	2	No	-	-	-

*Resigned from the Board on January 28 2010

**Directorship only in wholly owned subsidiaries

***Directorship in other companies

None of the above Directors are related inter-se.

None of the Directors on the Board holds the office of Directorship in more than 15 companies nor is he a member in more than 10 Committees of Board(s) or Chairman of more than 5 Committees.

Further, there are no pecuniary relationships or transactions between the Independent Directors and the Company, except for the sitting fees drawn by the Non-Executive Independent Directors for attending the Board Meetings .

Committees of the Board

Our Board has constituted 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 either for information or approval. We had the below mentioned Committees on the Board as on March 31, 2010.

1. Audit Committee
2. Remuneration Committee
3. Investors' Grievance Committee
4. Shareholders' Committee
5. Investment Committee

Audit Committee

The Audit Committee of our Board of Directors, reviews, acts on and reports to our Board of Directors with respect to various auditing and accounting matters. The primary responsibilities,

of the Committee inter-alia, are:

- Auditing and accounting matters, including recommending the appointment of our statutory auditors,
- Compliance with legal and statutory requirements,
- Integrity of the Company's financial statements, discussing with the independent auditors the scope of the annual audits, and fees to be paid to the independent auditors,
- Performance of the Company's internal audit function, independent auditors and accounting practices
- Review of related party transactions, functioning of Whistle Blower mechanism, and
- Reviewing , with the Management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956

- Changes, if any, in accounting policies and practices and reasons for the same
- Major accounting entries involving estimates based on the exercise of judgment by management
- Significant adjustments made in the financial statements arising out of audit findings
- Management Discussion and Analysis of financial condition and results of operations
- Management letters/letters of internal control weakness issued by the statutory auditors
- Internal audit reports relating to internal control weaknesses
- Qualifications in the draft audit report, if any

The Chairman of the Audit Committee was present at the previous Annual General Meeting. All members of our Audit Committee are independent non-executive directors. Statutory Auditors as well as Internal Auditors always have meetings with the Audit Committee.

Our Director – Finance, along with other Directors makes periodical presentations to the Audit Committee on various issues. The Company Secretary is the Secretary of the Committee

Details of the composition of the committee and attendance of members at the meetings held during the financial year 2009-10:

Name of Committee Member	Category		No. of Meetings	
			Held	Attended
Padmabhushan RN Agarwal	Independent Non-Executive	Chairman	5	5
*Mr. Surjit Kumar Palhan	Independent Non-Executive	Member	5	1
Mr. Shrikanth Madan Chitnis	Independent Non-Executive	Member	5	-
**Mr. Villadath Harish Kumar	Independent Non-Executive	Member	5	4

*Appointed as a member of the Audit Committee, pursuant to resignation of

** Mr. Villadath Harish Kumar from the Board

The Audit Committee met five times during the year on: April 30, 2009; July 30, 2009; September 02, 2009; October 30, 2009; January 29, 2010;

Remuneration Committee

The Remuneration Committee met twice during the financial year ended on March 31 2010 on October 16, 2009 & January

11, 2010.

Details of the composition of the committee and attendance of members at the meetings held during the financial year 2009-10:

Name of Committee Member	Category		No. of Meetings	
			Held	Attended
Padmabhushan RN Agarwal	Independent Non-Executive	Member	2	2
**Mr. Villadath Harish Kumar	Independent Non-Executive	Chairman	2	2
Mr. Shrikanth Madan Chitnis	Independent Non-Executive	Member	2	-
*Mr. Surjit Kumar Palhan	Independent Non-Executive	Chairman	2	-

*Appointed as a member of the Remuneration Committee, pursuant to resignation of ** Mr. Villadath Harish Kumar from the Board

The primary responsibilities of the Remuneration Committee inter-alia are:

- Determine and approve salaries, benefits and stock option grants to senior management employees and Directors of our Company.
- Approve and evaluate the compensation plans, policies and programs for Whole-time Directors and Senior Management.
- Act as Administrator of the Company's Employee Stock Option Plans drawn up from time to time.

The primary objective of the remuneration policy is to motivate employees to excel in their performance, recognize their contribution, retain talent and reward merit. The remuneration policy of the Company is directed towards rewarding performance based on review of achievements on a periodical basis.

Our Head-Human Resources makes a periodic presentation to the Remuneration Committee on compensation reviews and recommendations on performance linked compensation. All members of the Remuneration Committee are independent non-executive directors.

Details of the Remuneration paid to the Directors of the Company have been detailed in the next page

Investors' Grievance Committee & Shareholders' Committee

The Investors' Grievance Committee is responsible for redressal of shareholders' complaints and grievances. The Company also has a Shareholders' Committee which addresses issues pertaining to share transfers, issue of duplicate share certificates, transmission of shares and other related complaints.

Particulars of Remuneration and other benefits paid to the Whole-time Directors during the year ended on March 31, 2010

Name	Salary and allowances	Contributions to provident and other funds	Perquisites and incentives	Total remuneration
Mr. D. Uday Kumar Reddy, Chairman & Managing Director	4,036,480	203,520	14,400	4,254,400
Mr. Satish Kathiriseti, Director – Technical	2,507,116	144,547	14,400	2,666,063
Mr. Anoop Roy Kundal, Director – Operations	1,369,669	61,331	14,400	1,445,400
Mr. Amit Gupta, Director – Finance	2,732,883	118,496	14,400	2,865,779
Mr. Navnit Chachan, Director – Engineering & Technology	2,778,093	121,907	14,400	2,914,400
Total	13,424,241	649,802	72,000	14,146,043

Particulars of remuneration and other benefits paid to Independent Directors during the year ended March 31, 2010:

Name	Sitting Fees	Reimbursement of Expenses	Total
Mr. Abhishek Khaitan - Director	0	-	-
Dr. Sudhanshu Shekhar Jamuar – Director	20,000	-	20,000
Padmabhushan Ram Narain Agarwal - Director	70,000	-	70,000
Mr. Surjeet Kumar Palhan – Director	50,000	-	50,000
Mr. Villadath Harish Kumar - Director	40,000	-	40,000
Mr. Srikanth Madan Chitnis - Director	0	-	0
Total	180,000	-	180,000

Investors' Grievance Committee & Shareholders' Committee:

The Investors' Grievance Committee is responsible for redressal of shareholders' complaints and grievances. The Company also has a Shareholders' Committee which addresses issues pertaining to share transfers, issue of duplicate share certificates, transmission of shares and other related complaints.

The composition of the Investors' Grievance Committee as on March 31, 2010:

Name of Member	Status	Category
**Mr. Villadath Harish Kumar	Chairman	Independent & Non- Executive
Mr. D. Uday Kumar Reddy	Member	Non-independent & Executive
Mr. Abhishek Khaitan	Member	Independent & Non- Executive
* Padmabhushan Ram Narain Agarwal	Chairman	Independent & Non- Executive

*Appointed as a member of the Investor Grievance Committee, pursuant to resignation of ** Mr. Villadath Harish Kumar from the Board

The Company Secretary is the Secretary of the Committee and Compliance Officer.

The composition of Shareholders' Committee as on March 31, 2010:

Name of Member	Status	Category
Mr. D. Uday Kumar Reddy	Chairman	Independent & Non- Executive
**Mr. Villadath Harish Kumar	Member	Non-independent & Executive
* Padmabhushan Ram Narain Agarwal	Member	Independent & Non- Executive
*Mr. Surjit Kumar Palhan	Member	Independent & Non- Executive

*Appointed as a member of Shareholders' Committee, pursuant to resignation of **Mr. Villadath Harish Kumar from the Board

The Shareholders' Committee and the Investors' Grievance Committee met at regular intervals and reviewed the shareholders' complaints and grievances.

The Company has received the following communications from the shareholders during the period April 2009 to March 2010 and all these were replied/resolved to the satisfaction of the shareholders:

Serial Number	Subject	Received
1	Non receipt of dividend warrants	17
2	Non receipt of shares	7
3	Non receipt of refund order	1
4	Non receipt of Annual Reports	2
	Total	27

Investment Committee:

The Board has constituted an Investment Committee vesting it with the following powers:

- Based on the business requirement to decide on the necessity of opening and operating a Bank account
- To invest/renew and withdraw the fixed deposit and other investments in high quality interest bearing liquid instruments
- To invest surplus funds of the Company in secured instruments like government securities, fixed/term deposits with banks, etc.
- Execute bank guarantees, obtain letters of credit and perform all such activities required/stipulated by Banks and Financial Institutions.

Details of the composition of the committee and attendance of members at the meetings held during the financial year 2009-10:

Name of Member	Status	Category	Meetings held during his tenure	Meetings attended during his tenure
D. Uday Kumar Reddy	Chairman	Non-Independent & Executive	2	2
Satish Kathiriseti	Member	Non-Independent & Executive	2	2
Anoop Roy Kundal	Member	Non-Independent & Executive	2	-
Amit Gupta	Member	Non-Independent & Executive	2	2

The Investment Committee met twice during the financial year on March 04, 2010 and March 18, 2010

Code of Conduct:

The Board of Directors of the Company laid a Code of Conduct for Directors and senior management personnel. All Directors and designated personnel in the senior management affirmed compliance with the Code for the financial year 2009-10. The Code of Conduct is posted on the Company's website www.tanla.com.

The declaration to this effect signed by Mr. D. Uday Kumar Reddy, Chairman & Managing Director, is annexed to this report.

Initiatives on prevention of insider trading practices:

In compliance with the SEBI Regulations on prevention of insider trading, the Company framed a comprehensive Code of Conduct for its Directors and designated employees. The Code lays down guidelines, which advises the Directors and the designated employees on the procedures to be followed and disclosures to be made, while dealing with shares of the Company.

Subsidiary Companies:

All the subsidiary companies of the Company are Board managed with their Board having the rights and obligations to manage such companies in the best interest of their stakeholders. The Board monitors the performance of its subsidiaries by periodically reviewing the financial statements and particulars of investments made by the subsidiaries.

There are no material non-listed Indian subsidiary companies under the Company to nominate its Directors on such subsidiaries.

General Body Meetings:

Details of the Annual General Meetings held during the last three years:

Financial Year	Location	Date & Time	Special Resolutions Passed thereat
2006 - 2007	Hyderabad International Convention Centre, Novotel & HICC Complex, Near Hi-tech City, Cyberabad Post Office, Hyderabad – 500081	August 29, 07 10.30 A.M.	1. Voluntary delisting of Equity Shares of the Company from Hyderabad Stock Exchange Limited, Madras Stock Exchange Limited and Ahmedabad Stock Exchange Limited 2. Issue of options under ESOP Scheme to permanent employees of the Company 3. Issue of options under ESOP Scheme to permanent employees of subsidiaries of the Company
2007 - 2008	Plot No.564, Road No.92, Jubilee Hills, Hyderabad – 500 033	September 29, 2008 10.30 A.M.	No Special Resolution passed
2008 - 2009	Tanla Technology Centre, Hi-Tech City Rd, Madhapur, Hyderabad – 500 081	September 30, 2009, 10.30 A.M.	No Special Resolution passed

Postal Ballot:

During the year 2009-10, pursuant to Section 192(A) of the Companies Act, 1956 and Companies (Passing of the Resolution by Postal Ballot), Rules 2001, postal ballot was conducted to seek the shareholders' approval by way of a special resolution, To offer, issue and allot on a preferential basis up to 20,00,000 Equity Shares of the face value Rs.1/- each. The results of the postal ballot were displayed at the Registered Office address and posted on the Company's web-site www.tanla.com besides communicating to the Stock Exchanges where the Company's shares are listed.

Result of voting conducted through Postal Ballot for issue of Equity Shares on Preferential basis.

Date of declaration of results	Particulars of Resolutions Passed	Total Valid Votes	in favor (%)	Against (%)
March 10, 2010	To offer, issue and allot on a preferential basis up to 20,00,000 Equity Shares of the face value Rs.1/- each	18132518	18121145 99.94%	11373 0.06%

The Company proposed postal ballot system so as to facilitate wider participation in the approval process by shareholders residing at different locations.

Scrutinizer details:

Mr. KVS Subramanyam, Partner, Ravi & Subramanyam Company Secretaries, Hyderabad, was appointed as the scrutinizer for conducting the postal ballot process in a fair and transparent manner.

Disclosures

Disclosure on materially significant related party transactions that may have potential conflict with the interest of the Company at large

During the financial year 2009-10, 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 material transaction with the Company for the year ended March 31, 2010.

A Summary of the materially significant Related Party Transactions is given in Point 6 the Notes to the Accounts appearing in this Annual Report.

Transactions made in pursuance of contracts or arrangements entered with related parties and exceeding the value of Rupees Five Lakhs in respect of each party during the financial year have been made at prices which are reasonable with regard to the prevailing market prices at the relevant time. All transactions mentioned herein have been conducted at arm's length.

Risk Management

Our Company has a risk management system in place and a team to support our business initiatives by identifying risk and informing accordingly to the Senior Managers at periodical review meetings held in the Company. The method adopted to assess risks within the Company has been discussed in the Directors' Report.

Accounting Treatment in preparation of Financial Statements:

During the financial year 2009-10, there was no treatment of any transaction different from that is prescribed in the Accounting Standards as required under Section 211(3C) of the Companies Act, 1956.

Details of non-compliance by the Company, penalties, strictures, imposed on the Company by Stock Exchanges/ SEBI/ Statutory Authorities on any matter related to capital markets during the last three years:

There has neither been any non-compliance of any legal provision of applicable law, nor any penalty, stricture imposed by the Stock Exchanges or SEBI or any other authorities, on any matters related to capital market during the last three years.

Whistle Blower Policy:

We have established a mechanism for employees to report to the management, concerns about unethical behavior, actual or suspected fraud or violation of our Code of Conduct policy. The mechanism also provides for adequate safeguards against victimization of employees who avail of the mechanism and also provides for direct access to the Chairperson of the Audit Committee in exceptional cases.

Subsidiary Companies:

We have 14 subsidiary companies, but none of them is a material non-listed Indian subsidiary as per Clause 49 of the Listing Agreement

Proceeds from Public Issue, Preferential Issue, Rights Issue etc.,:

Statement of utilization of FPO funds as of March 31, 2010

(Rs. in Lakhs)

Particulars	Year Ended March 31, 2010	Year Ended March 31, 2009
Amount raised through FPO / Op . Bal	4,209,525,000	4,209,525,000
Share issue expenses paid	193,348,658	193,348,658
Net Proceeds	4,016,176,342	4,016,176,342
Setting up Infrastructure Facilities for Development Centre at Hyderabad / Backup / Disaster Recovery Centre at Bangalore	241,500,000	600,000,000
Establishing Overseas Marketing Offices	40,601,500	40,601,500
Expansion & Up-gradation of Existing Research & Product Development Facilities	220,249,501	22,024,9501
Fund regional / Global expansion and acquire in strategic business	199,999,504	199,999,504
Meet working capital requirements	284,479,608	284,479,608
Contingencies		
General Corporate purposes	3,029,346,229	2,186,925,009
Net Utilisation	4,016,176,342	3,532,255,122
Balance funds unutilised	-	483,921,220
Invested in:		
Investments in fixed deposits	-	483,921,220
Investments in short term mutual funds	-	-
Balance in bank accounts	-	-

The Company has during the year 2009-10 issued and allotted 1,479,593 equity shares of par value Re. 1 each, at a price of Rs. 61.53 including a premium of Rs. 60.53 each fully paid up, on preferential basis.

Adoption of Mandatory and Non-Mandatory Requirements of revised Clause 49:

The Company has complied with all the mandatory requirements and has adopted the following non-mandatory requirements of revised Clause 49:

- The Company has set up a Remuneration Committee, details of which have been given elsewhere in this Report.
- The Company has adopted a Whistle Blower Policy and has established mechanism for employees to report concerns about unethical behavior. No person has been denied access to the Audit Committee.

Means of communication:

- The main channels of communication to the shareholders are through the Annual Report which includes inter alia, the Directors' Report, the Report on Corporate Governance and annual audited financial results.
- The website of the Company www.tanla.com acts as the primary source of information regarding the operations of the Company.

- The quarterly, half yearly and annual results of the Company are published in leading national and regional newspapers which include Economic Times, Business Standard, Financial Express, Eenadu, Sakshi and Andhra Jyothi. The results are displayed on the Company's website www.tanla.com and also on the websites of the Stock Exchanges www.bseindia.com; www.nseindia.com
- Official Press Releases and Transcripts of Conference calls made by the Company from time to time are also displayed on the website of the Company and the Stock Exchanges.
- A Management Discussion and Analysis forms part of this Annual Report.

Additional Shareholder's Information

14th Annual General Meeting:

Date	: 30th September 2010
Day	: Thursday
Time	: 10.30 AM
Venue	: Registered Office of the Company Tanla Technology Centre, Hitech City Road, Madhapur, Hyderabad – 500 081

Financial Calendar :

For Quarter ending on June 30, 2010 : Before August 15 2010
 For Quarter ending on Sep 30, 2010 : Before November 15 2010
 For Quarter ending on Dec 31, 2010 : Before February 15 2011
 For Quarter ending on March 31, 2011 : Before May 15 2011

Financial Year : April 1 to March 31

Date of Book Closure : Sep 25, 2010 to Sep 30, 2010 (both days inclusive)

Dividend Payment Date : Within 30 days from the date of approval by the shareholders at the ensuing Annual General Meeting

Listing on Stock Exchanges:

The Equity Shares of the Company are listed on the following Stock Exchanges:

Bombay Stock Exchange Limited (BSE)

Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001

National Stock Exchange of India Limited (NSE)

Exchange Plaza, Plot No. C/1, G Block,
 Bandra Kurla Complex, Bandra East, Mumbai – 400 051

Listing Fees to Stock Exchanges:

Listing fees for the year 2009-10 has been paid to the Stock Exchanges, wherein the equity shares of the Company are listed (i.e. NSE & BSE) within the stipulated time.

Custodial Fees to Depositories:

The Company has paid custodial fees for the year 2009-10 to National Securities Depository Limited and Central Depository Services (India) Limited

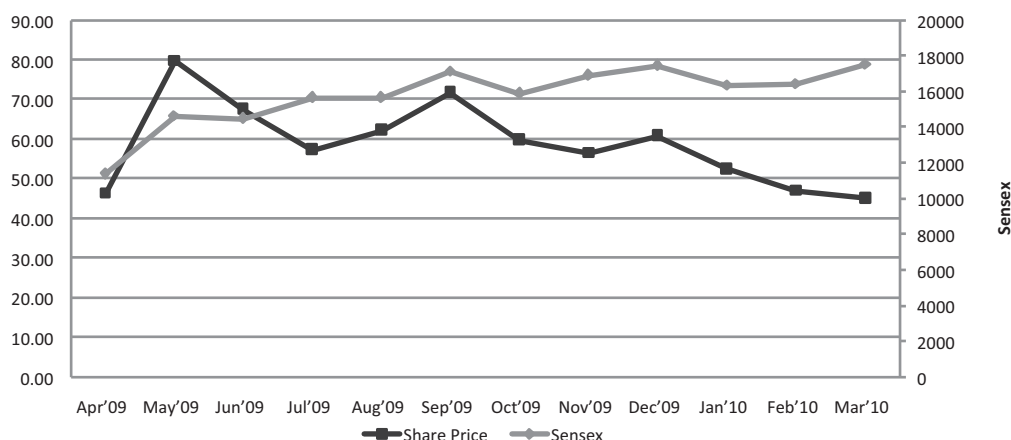
Symbol:

BSE : 532790

NSE : TANLA

ISIN : INE483C01032

Month	Bombay Stock Exchange Limited			National Stock Exchange of India Limited		
	High (Rs.)	Low (Rs.)	No. of Shares Traded	High (Rs.)	Low (Rs.)	No. of Shares Traded
April '09	61.50	32.60	85,72,746	61.45	32.05	1,44,44,416
May '09	85.45	41.80	95,12,774	85.80	42.00	1,81,73,762
June '09	87.40	61.50	1,11,81,290	88.00	61.25	2,04,29,047
July '09	71.20	52.60	89,49,715	71.10	52.95	1,74,31,436
August '09	69.40	48.50	2,18,44,479	69.40	48.55	3,82,99,667
September '09	77.60	59.90	4,09,13,463	77.60	59.65	7,31,20,533
October '09	74.10	56.10	1,68,25,428	74.15	57.20	3,04,74,134
November '09	62.80	53.00	77,52,720	62.75	50.55	1,53,58,528
December '09	64.65	56.35	1,25,03,177	67.00	56.65	2,34,81,142
January '10	66.15	50.25	1,28,57,331	66.10	50.30	2,38,99,690
February '10	55.40	45.00	71,21,205	54.75	44.00	1,43,96,093
March '10	52.00	43.10	79,76,543	51.50	44.85	1,73,71,176

Share Price Movement Chart of Tanla Solutions Limited Vs Sensex

Registrars and Transfer Agents:

All work related to Share Registry, both in physical form and electronic form, is handled by the Company's Registrar and Transfer Agent, M/s. Karvy Computershare Private Limited.

Karvy Computershare Private Limited

(Unit: Tanla Solutions Limited)

Plot No. 17-24, Vittal Rao Nagar, Madhapur, Hyderabad – 500 081

Tel. No: 040 – 23420815 -820, Fax No: 040 – 23420814

Share Transfer System:

The Share Transfers which are received in physical form are processed and the Share Certificates returned within a period of 15 days from the date of receipt, subject to the documents being valid and complete in all respects. Confirmations in respect of the requests for dematerialization of shares are being sent to the respective depositories i.e. NSDL & CDSL expeditiously.

Distribution of Shareholding:

The following table lists the distribution of Shareholding by number of shares held and Shareholding Pattern in percentage as on March 31, 2010:

No. of Shares held (Re.1 paid up)	Shareholders		Share of Re.1 (Par Value)	
	Numbers	%	Numbers	%
Upto 5000	77638	99.14	19067110.00	18.79
5001 - 10000	321	0.41	2362027.00	2.33
10001 - 20000	173	0.22	2517688.00	2.48
20001 - 30000	51	0.07	1266709.00	1.25
30001 - 40000	24	0.03	860984.00	0.85
40001 - 50000	10	0.01	448564.00	0.44
50001 - 100000	35	0.04	2606597.00	2.57
1000001 & Above	62	0.08	72349914.00	71.30
Total	78,314	100.00	101479593.00	100.00

Shareholding Pattern as on March 31, 2010

Category code	Category of Shareholder	Number of Shareholders	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares		Shares Pledged or otherwise encumbered	
					As a percentage of (A+B) ¹	As a percentage of (A+B+C)	Number of shares	As a Percentage
(A)	Shareholding of Promoter and Promoter Group²							
1	Indian							
(a)	Individuals/ Hindu Undivided Family	7	36,258,364	36,258,364	35.73	35.73	0.00	0.00
(b)	Central Government/ State Government(s)							
(c)	Bodies Corporate							
(d)	Financial Institutions/ Banks							
(e)	Any Others(Specify)							
	Sub Total(A)(1)	7	36,258,364	36,258,364	35.73	35.73	0.00	0.00
2	Foreign							
a	Individuals (Non-Residents Individuals/ Foreign Individuals)							
b	Bodies Corporate							
c	Institutions							
d	Any Others(Specify)							
d-i								
	Sub Total(A)(2)	0	0	0	0.00	0.00	0.00	0.00

(B)	Public shareholding							
1	Institutions							
(a)	Mutual Funds/ UTI	2	283,136	283,136	0.28	0.28		
(b)	Financial Institutions / Banks	3	4300	4300	0.00	0.00		
(c)	Central Government/ State Government(s)							
(d)	Venture Capital Funds							
(e)	Insurance Companies							
(f)	Foreign Institutional Investors	39	21507433	21507433	21.19	21.19		
(g)	Foreign Venture Capital Investors							
(h)	Any Other (specify)							
(h-i)								
(h-ii)								
	Sub-Total (B)(1)	44	21794869	21794869	21.48	21.48		
B 2	Non-institutions							
(a)	Bodies Corporate	1135	14413161	14413161	14.20	14.20		
(b)	Individuals							
I	Individuals -i. Individual shareholders holding nominal share capital up to Rs 1 lakh	76069	21079692	21021747	20.77	20.77		
II	ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	14	4881653	4881653	4.81	4.81		
(c)	Any Other (specify)					0.00		
(c-i)	Non Resident Indians	851	851942	851942	0.84	0.84		
(c-ii)	Trusts	15	11158	11158	0.01	0.01		
(c-iii)	Foreign Nationals	11	1823205	1823205	1.80	1.80		
(c-iv)	Clearing Members	166	363549	363549	0.36	0.36		
(c-v)	Overseas Corporate Bodies	2	2000	2000	0.00	0.00		
	Sub-Total (B)(2)	78263	43426360	41888822	42.79	42.79		
(B)	Total Public Shareholding (B)= (B)(1)+(B)(2)	78307	65221229	63683691	64.27	64.27		
	TOTAL (A)+(B)	78314	101479593	99942055	100	100		
(C)	Shares held by Custodians and against which Depository Receipts have been issued							
	GRAND TOTAL (A)+(B)+(C)	78314	101479593	99942055	100	100	0.00	0.00

Dematerialization of Shares and Liquidity:

The Shares of the Company are traded in compulsory demat segment. As on March 31, 2010, 98.5% of the total share capital was held in dematerialized form with National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL).

Outstanding GDRs/ADRs/Warrants or any Convertible Instruments:

The Company has not issued any GDRs/ADRs/Warrants or any other instrument, which is convertible into Equity Shares of the Company.

Company's Registered Address:

Tanla Solutions Limited, Tanla Technology Centre,
Hitech City Road, Madhapur, Hyderabad – 500 081
Ph. No. 040 – 4009 9999 Fax No.040 – 2312 2999

Address for Shareholders' General Correspondence:

Company Secretary
Tanla Solutions Limited, Tanla Technology Centre,
Hitech City Road, Madhapur, Hyderabad – 500 081
Ph. No. 040 – 4009 9999, Fax No.040 – 2312 2999
Email: investorhelp@tanla.com

AUDITORS' REPORT

To the Members of
TANLA SOLUTIONS LIMITED,

1. We have audited the attached Balance Sheet of TANLA SOLUTIONS LIMITED, as at March 31, 2010, and also the related Profit and Loss account and the 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.

2. 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.

3. As required by the Companies (Auditor's Report) Order, 2003 as amended ('the Order') issued by the Central Government of India in terms of sub-section (4A) of section 227 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.

4. Further to our comments in the Annexure referred to in paragraph (3) above, we report that:

(i) 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;

(ii) 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;

(iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

(iv) 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 Act.

(v) On the basis of written representations received from the directors, as on March 31, 2010 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act.

(vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2010;

(b) In the case of the Profit and Loss Account, of the Profit for the year ended on that date; and

(c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For RAMASAMY KOTESWARA RAO & CO.,
Chartered Accountants
Firm Regn. No.010396S

Sd/-

(C.V KOTESWARA RAO)

Partner

Membership No.28353

Place : Hyderabad

Date : September 05, 2010

Annexure to the Auditors' Report (referred to in paragraph 3 of our Report of even date to the Members of Tanla Solutions Limited for the year ended March 31, 2010)

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) Fixed Assets have been physically verified by the management and, in our opinion, the verification is reasonable having regard to the size of the company and the nature of its assets. No discrepancies were noticed on such verification.
- (c) No substantial part of fixed assets has been disposed off during the year.
2. In our opinion and according to the information and explanations given to us, the Company is not having any inventory. Accordingly, the provisions of clause 4(ii) of the Order are not applicable to the Company.
3. As informed the Company has neither granted nor taken any loans, secured or unsecured to and from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, clause 4(III) (b) to (d) of the Order are not applicable.
4. On the basis of checks carried out during the course of audit and as per explanations given to us, we are of the opinion that there are adequate internal control procedures commensurate with the size of the company and the nature of its business; for the purchases of inventory and fixed assets and for the sale of goods. During the course of our audit, no major weakness has been noticed in the internal controls.
5. a) In our opinion and according to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- b) In our opinion and according to the information and explanations given to us, transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rupees five lakhs in respect of each party during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the company has not accepted any deposits with in the meaning of Sections 58A and 58AA of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public.
7. In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
8. To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under Section 209 (i) (d) of the Companies Act, 1956 in respect of the Company's nature of business.
9. (a) According to the records of the company, the company is regular in depositing undisputed statutory dues including provident fund, Employees' State Insurance, Income Tax, Wealth Tax, Customs Duty, Excise duty, cess and other material statutory dues applicable at the end of the year for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no income tax, wealth tax, sales tax, customs duty and excise duty, which have not been deposited on account of any dispute. There were no dues on account of cess under 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.
10. The company does not have the accumulated losses as at the end of the financial year and it has not incurred any cash losses during the current financial year covered by our audit and the immediately preceding financial year.
11. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the company did not have any outstanding dues to financial Institutions, Banks or Debenture holders.

12. According to the information and 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, the Company is not a chit or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.

14. The company is not in the business of dealing or trading in shares, securities, debenture and other instruments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.

15. The company has not given any guarantee for loans taken by others from banks or financial institutions.

16. The company has not taken term loans from banks.

17. Based on our examination of the balance sheet of the company as at 31.03.2010, since there are no loans availed by the company, the utilization of funds does not arise.

18. The company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.

19. During the year covered by our audit report, the Company does not have any outstanding debentures during the year.

20. During the year 2007, company has raised money through the Follow on Public Issue. In our opinion and according to the information and explanations given to us, we are of the opinion that the proceeds of the public issue funds have been utilized for the purposes of the objects mentioned in Prospectus. The details of the utilization of the funds raised from public have been disclosed in point no.9 to the notes on accounts as per the SEBI (Disclosure and Investment Protection) Guidelines 2000.

21. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.

For RAMASAMY KOTESWARA RAO & CO.,
Chartered Accountants
Firm Regn No.010396S

Sd/-
(C.V KOTESWARA RAO)
Partner
Membership No.28353

Place : Hyderabad

Date : September 05, 2010

Tanla Solutions Limited

Hyderabad

Balance Sheet as at

(In Rs.)

	Schedule	March 31, 2010	March 31, 2009
SOURCES OF FUNDS:			
Shareholder's funds			
Share capital	1	101,479,593	100,000,000
Reserves & surplus	2	6,460,423,867	6,350,087,514
Deferred tax liability	3	49,484,680	87,467,715
		6,611,388,140	6,537,555,229
APPLICATION OF FUNDS:			
Fixed assets:	4		
Gross block		1,218,189,567	1,172,186,244
Less: Depreciation		277,080,129	144,347,190
Net block		941,109,438	1,027,839,054
Capital work-in-progress (incl. advances)		605,423,150	799,764,251
Investments	5	3,881,755,449	2,753,479,566
Current assets, loans & advances:			
Products under Development		31,745,670	-
Sundry Debtors	6	422,223,743	547,471,979
Cash & bank balances	7	382,245,839	898,892,050
Loans & advances	8	569,619,807	818,731,593
		1,405,835,059	2,265,095,622
Less: Current liabilities & provisions	9	270,756,359	404,666,070
		1,135,078,700	1,860,429,552
Miscellaneous expenditure	10	48,021,403	96,042,806
		6,611,388,140	6,537,555,229
Significant accounting policies and notes on accounts	15		

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

As per our report of even date attached

For and on behalf of the Board of Directors

For RAMASAMY KOTESWARA RAO & CO.,
Chartered Accountants
Firm Regn No.0103965

Sd/-
(C.V. Koteswara Rao)
Partner
Membership No.28353

Sd/-
D.Uday Kumar Reddy
Chairman & Managing Director
Sd/-
Amit Gupta
Director – Finance

Sd/-
Satish Kathirisetti
Director – Technical
Sd/-
Seshanuradha Chava
Company Secretary

Place:Hyderabad.
Date: September 05, 2010

Tanla Solutions Limited

Hyderabad

Profit and Loss account for the year ended

(In Rs.)

	Schedule	March 31, 2010	March 31, 2009
INCOME:			
Sale of software products and services			
Overseas		465,737,774	1,547,154,783
Domestic India		44,817,179	176,679,766
		510,554,953	1,723,834,549
EXPENDITURE:			
Cost of sales	11	169,668,587	422,542,119
Sales & marketing expenses	12	55,135,795	104,437,366
General & administrative expenses	13	176,424,459	205,719,021
		401,228,842	732,698,506
Operating profit before interest, depreciation		109,326,111	991,136,043
Depreciation & amortization	4	181,496,395	160,462,174
Operating profit after interest, depreciation		-72,170,283	830,673,869
Other income	14	66,836,431	72,548,530
Net profit before Tax		- 5,333,852	903,222,399
Tax expense - Current Tax		-	102,335,098
- FBT		-	2,643,220
- Deferred Tax		-37,983,035	65,418,883
Net profit after tax		32,649,183	732,825,198
Profit brought forward from last year		19,04,756,765	1,303,711,587
Amount available for appropriations		1,937,405,948	2,036,536,785
Transfer to general reserve		816,230	73,282,520
Proposed dividend		10,147,959	50,000,000
Corporate dividend tax		1,724,646	8,497,500
Net profit transferred to balance sheet		1,924,717,114	1,904,756,765
Earning per share basic / diluted		0.33	7.33
Weighted average number of shares		100,028,376	100,000,000
		(Re. 1 per value per share)	(Re. 1 per value per share)
Significant accounting policies and notes on accounts	15		

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

As per our report of even date attached

For and on behalf of the Board of Directors

For RAMASAMY KOTESWARA RAO & CO.,
Chartered Accountants
Firm Regn. No. 010396S

Sd/-
(C.V. Koteswara Rao)
Partner
Membership No. 28353

Sd/-
D. Uday Kumar Reddy
Chairman & Managing Director

Sd/-
Amit Gupta
Director – Finance

Sd/-
Satish Kathirisetti
Director – Technical
Sd/-
Seshanuradha Chava
Company Secretary

Place: Hyderabad.

Date: September 05, 2010

Tanla Solutions Limited

Hyderabad

Cash Flow Statement for the year ended

(In Rs.)

	March 31, 2010	March 31, 2009
A. CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit before taxation, and extraordinary items	(5,333,852)	903,222,399
Adjusted for :		
Depreciation	133,474,992	112,440,771
Interest & Other Income received	(66,836,431)	(64,050,717)
Profit on sale of assets (net) / Misc Income	(3,063,810)	(7,365,880)
Public issue expenses w/o	48,021,403	48,021,403
Operating profits before working capital charges	106,262,301	992,267,976
Changes in current assets and liabilities		
Product under development	(31,745,670)	-
Sundry debtors	107,811,038	(64,301,149)
Loans and advances	251,911,786	8,249,826
Current liabilities and provisions	(64,903,903)	(1,416,514)
Cash generated from operations	369,335,553	934,800,139
Income taxes paid (net of provisions)	2,800,000	96,400,000
Net cash generated from operating activities	366,535,553	838,400,139
B. CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets and change in capital work-in-progress	142,945,639	(779,100,018)
Proceeds on sale of fixed assets	2,770,181	22,243,336
Purchase of investments	(1,128,275,883)	71,226,109
Interest & Other Income received	66,836,431	64,050,717
Net cash used in investing activities	(915,723,632)	(621,579,856)
C. CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from preferential allotment of shares - equity capital	1,479,593	-
Proceeds from preferential allotment of shares - equity premium	89,559,775	-
Dividends and dividend tax paid during the year	(58,497,500)	(140,394,000)
Net Cash generated from financing activities	32,541,868	(140,394,000)
D. Net increase / (decrease) in cash and cash equivalents	(516,646,211)	76,426,283
E. Cash and cash equivalents at the beginning of the year	898,892,050	822,465,767
F. Cash and cash equivalents at the end of the year	382,245,839	898,892,050
Significant accounting policies and notes on accounts	15	

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

As per our report of even date attached

For RAMASAMY KOTESWARA RAO & CO.,
Chartered Accountants
Firm Regn. No. 010396S

Sd/-
(C.V. Koteswara Rao)
Partner
Membership No. 28353

Place: Hyderabad.

Date: September 05, 2010

For and on behalf of the Board of Directors

Sd/-
D. Uday Kumar Reddy
Chairman & Managing Director
Sd/-
Amit Gupta
Director – Finance

Sd/-
Satish Kathiriseti
Director – Technical
Sd/-
Seshanuradha Chava
Company Secretary

Tanla Solutions Limited
Hyderabad

Schedules to Balance Sheet as at

(In Rs.)

	March 31, 2010	March 31, 2009
SCHEDULE : 1		
SHARE CAPITAL		
<i>Authorised</i>		
12,00,00,000 equity shares of Re. 1/- each	120,000,000	120,000,000
Issued, Subscribed and Paid-up (10,14,79,593 equity shares of Re. 1/-each fully paid) (Previous year 10,00,00,000 equity shares of Re. 1/-each fully paid)	101,479,593	100,000,000
TOTAL	101,479,593	100,000,000
SCHEDULE 2		
RESERVES & SURPLUS		
Share Premium	4,195,942,000	4,195,942,000
Add: Additions during the year	89,559,775	-
	4,285,501,775	4,195,942,000
Investment subsidy	400,000	400,000
General reserve	248,988,749	175,706,229
Add: Transfer from the profit and loss account	816,230	73,282,520
	249,804,978	248,988,749
Balance in profit and loss account	1,924,717,114	1,904,756,765
TOTAL	6,460,423,867	6,350,087,514
SCHEDULE : 3		
DEFERRED TAX LIABILITY		
Deferred Tax Liability - on Depreciation	89,909,929	103,790,190
Deferred Tax Asset		
On preliminary & public issue expenses w/o	16,322,475	16,322,475
On un-absorbed losses	24,102,775	-
	40,425,250	16,322,475
Net deferred tax liability	49,484,680	87,467,715

Tanla Solutions Limited

Hyderabad

Schedules to Balance Sheet as at

(In Rs.)

	March 31, 2010	March 31, 2009
SCHEDULE : 5		
INVESTMENTS		
In Equity shares (Un-quoted at cost)		
Mufithumb Entertainment Pvt. Ltd., India (250,000 equity shares of Rs.10 each, fully paid-up)	7,174,000	7,174,000
Tanla Solutions (UK) Ltd., UK (1000 equity shares of GBP.1 each, fully paid-up)	25,200,000	25,200,000
Tanla Mobile Asia Pacific Pte. Ltd., Singapore (750,001 Equity shares of SGD.1 Each, Fully paid-up) (124,651,643 Preference shares of SGD.1 Each, fully paid-up)	24,114,032 3,808,458,417	21,751,079 26,993,544,847
TZ Mobile Pvt Ltd., India (680,900 Equity shares of Rs.10/- Each, fully paid-up)	6,809,000	-
Tanla Mobile Pvt Ltd., India (1,000,000 Equity shares of Rs.10/- Each, fully paid-up)	10,000,000	-
Total	3,881,755,449	2,753,479,566
SCHEDULE : 6		
SUNDRY DEBTORS		
(Unsecured considered good)		
Debts due for more than six months	2,087,52,528	34,873,646
Less: provision for bad debts	-	-
Other debts	213,471,215	512,598,333
TOTAL	422,223,743	547,471,979
SCHEDULE : 7		
CASH & BANK BALANCES		
Cash on hand	14,558	102,457
With scheduled banks:		
in current accounts **	372,285,875	325,609,370
In deposit accounts	9,945,406	573,180,222
TOTAL	382,245,839	898,892,050
** Includes balance in unclaimed dividend accounts Rs.1,027,120 (2009-Rs.682,625)		

Tanla Solutions Limited
Hyderabad

Schedules to Balance Sheet as at

(In Rs.)

	March 31, 2010	March 31, 2009
SCHEDULE : 8		
LOANS & ADVANCES		
(considered good unless otherwise stated)		
Advances recoverable in cash or kind or for value to be received	61,272,102	49,854,723
Deposit with others	52,887,250	34,706,974
Loan to subsidiaries	189,300,876	457,953,206
Service Tax Input credit	15,000,000	-
Advance income tax & TDS	251,159,580	276,216,690
TOTAL	569,619,807	818,731,593
SCHEDULE : 9		
CURRENT LIABILITIES & PROVISIONS		
Current liabilities:		
Sundry creditors for expenses		
Dues to micro and small enterprises	-	-
Dues to other than micro and small enterprises	14,844,197	78,217,808
Other liabilities	8,428,027	10,303,114
Unclaimed dividend	1,027,120	682,325
	24,299,344	89,203,247
Provisions:		
Provision for income tax	234,584,410	256,965,323
Proposed dividend	10,147,959	50,000,000
Provision for dividend tax	1,724,646	8,497,500
	246,457,015	315,462,823
TOTAL	270,756,359	404,666,070
SCHEDULE : 10		
MISCELLANEOUS EXPENSES		
(to the extent not written off or adjusted)		
Public issue & preliminary expenses	96,042,806	144,064,209
Add: additions during the year	-	-
	96,042,806	144,064,209
less: Written off during the year	48,021,403	48,021,403
TOTAL	48,021,403	96,042,806

Tanla Solutions Limited
Hyderabad

Schedules to Profit and Loss Account for the year ended

(In Rs.)

	March 31, 2010	March 31, 2009
SCHEDULE : 11		
COST OF SALES		
Cost of services	97,811,378	158,798,572
Staff salaries & benefits	45,675,684	174,686,946
Travelling expenses	6,044,526	14,724,611
Communication expenses	3,915,706	7,558,368
Repairs & maintenance expenses	3,862,962	7,865,209
Rent, rates & taxes	6,162,242	45,987,550
Printing & stationery	603,055	1,272,750
Office maintenance expenses	976,610	3,955,241
Power & fuel	3,321,036	6,605,554
General expenses	1,295,389	1,087,318
TOTAL	169,668,587	422,542,119
SCHEDULE :12		
SELLING & MARKETING EXPENSES		
Staff salaries & benefits	36,540,547	75,783,308
Traveling expenses	1,727,007	4,207,032
Communication expenses	783,141	1,511,674
Repairs & maintenance expenses	2,704,073	983,151
Rent, rates & taxes	2,662,088	14,089,803
Printing & stationery	753,819	1,590,938
Advertisement expenses	8,530,141	3,908,263
Office maintenance expenses	195,322	791,048
Power & fuel	462,423	919,761
General expenses	777,234	652,391
TOTAL	55,135,795	104,437,366

Tanla Solutions Limited
Hyderabad

Schedules to Profit and Loss Account for the year ended

(In Rs.)

	March 31, 2010	March 31, 2009
SCHEDULE : 13		
GENERAL & ADMINISTRATIVE EXPENSES		
Staff salaries & benefits	9,135,137	6,422,314
Travelling expenses	863,504	2,103,516
Communication expenses	522,094	1,007,782
Repairs & maintenance expenses	1,158,888	983,151
Rent, rates & taxes	3,500,153	5,153,215
Printing & stationery	150,764	318,188
Advertisement expenses	6,979,206	3,908,263
Office maintenance expenses	130,215	527,365
Power & fuel	420,384	836,146
General expenses	518,156	1,566,860
Professional charges	8,933,640	5,830,862
R&D Expenses	7,880,320	10,436,437
Auditors remuneration	1,000,000	1,000,000
Finance & bank charges	418,520	2,128,852
Provision for Bad debts / written off	941,112	-
Loss on Sale of Assets	2,299,889	-
Exchange fluctuation	131,572,478	163,496,070
TOTAL	176,424,459	205,719,021
SCHEDULE : 14		
OTHER INCOME		
Interest received from banks	2,875,081	8,742,915
Interest received from subsidiary companies & others	58,597,651	23,938,146
Dividend received from mutual funds	-	31,369,656
Profit on Sale of Assets	-	8,497,813
Misc Income	5,363,699	-
TOTAL	66,836,431	72,548,530

Tanla Solutions Limited
Hyderabad

Schedule - 4 :
FIXED ASSETS & DEPRECIATION

(In Rs.)

PARTICULARS	GROSS BLOCK				DEPRECIATION			NET BLOCK	
	April 1, 2009	Additions	Deletions	March 31, 2010	April 1, 2009	Additions	Deletions	March 31, 2010	March 31, 2009
Land & site development	46,171,392	-	-	46,171,392	-	-	-	46,171,392	46,171,392
Building & Interiors - Owned	142,767,425	-	-	142,767,425	9,865,677	4,768,432	-	128,133,316	132,901,748
Building interiors & fixtures - Leasehold	274,671,906	34,712,134	-	309,384,040	39,210,753	34,859,357	-	235,313,931	235,461,153
Furniture	58,559,396	19,808	75,000	58,504,204	5,321,665	3,707,566	-	49,474,973	53,237,731
Computers	473,727,963	13,331,548	106,350	486,953,161	71,988,443	77,114,985	19,884	337,869,617	401,739,520
Office equipment	98,167,909	331,972	537,076	97,962,805	9,319,696	6,952,338	-	81,690,771	88,848,213
Vehicles	20,541,981	-	4,673,713	15,868,268	2,931,504	1,951,488	722,169	11,707,445	17,610,477
Air conditioning	57,538,136	3,000,000	-	60,538,136	5,669,316	4,120,826	-	50,747,994	51,868,820
Library books	40,136	-	-	40,136	40,136	-	-	-	-
	1,172,186,244	51,395,462	5,392,139	1,218,189,567	144,347,190	133,474,992	742,053	941,109,438	1,027,839,054
								277,080,129	

Schedule 15

Significant Accounting Policies & Notes on Accounts

I. Significant Accounting Policies

1. Basis of preparation of financial statements

The accompanying financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention, on a going concern basis, while revenue, expenses, assets and Liabilities accounted/recognized on accrual basis. GAAP comprises mandatory accounting standards issued by 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 (SEBI). Accounting policies are consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

Management evaluates all recently issued or revised accounting standards on an ongoing basis.

2. Use of Estimates

The preparation of financial statements in conformity with GAAP requires Management to make estimates and assumptions that effect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for doubtful debts, future obligations under retirement benefit plans, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets.

Management periodically assessed using external and internal sources whether there is an indication that an asset may be impaired. Contingencies are recorded when it is probable that a liability will be incurred, and the amount can be reasonably estimated. Actual results could differ from those estimates.

3. Revenue recognition

Revenue from software development on fixed-price, fixed-time frame contracts where there is no uncertainty as to measurement or collectability has been recognized. On time-and-material contracts, revenue is recognized as the related services are rendered. Provision for estimated losses, if any on uncompleted contracts are recorded in the period in which such losses become probable based on the current contract

estimates. Annual Technical Services revenue and revenue from fixed-price maintenance contracts are recognized proportionately over the period in which services are rendered. Revenue from the sale of products for software applications is recognized on transfer of the products to the users.

4. Fixed Assets, intangible assets and capital work-in-progress

Fixed Assets are stated at cost, less accumulated depreciation. All direct costs are capitalized until fixed assets are ready for use including taxes, duties, freight and other incidental expenses relating to acquisition and installation. Capital work-in-progress comprises outstanding advances paid to acquire fixed assets, and the cost of fixed assets that are not yet ready for their intended use at the balance sheet date. Intangible assets are recorded at the consideration paid for acquisition.

5. Depreciation and amortization

Depreciation on fixed assets is applied on straight-line method, pro-rata for the period of usage, in accordance with the rates prescribed under schedule XIV of the Companies Act, 1956.

6. Retirement Benefits

a. Gratuity

In accordance with the Payment of Gratuity Act, 1972, Tanla provides for gratuity, a defined retirement plan (the "Gratuity Plan") covering the eligible employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee salary and the tenure of employment. Liability with regard to the Gratuity Plan are determined by actuarial valuation as of the balance sheet date, based upon which, the company contributes the ascertained liabilities to the Tanla Solutions Limited Employees Gratuity Scheme Trust (the "Trust") managed by the Life Insurance Corporation of India.

b. Provident fund

Eligible employees receive benefits from a provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon is paid at retirement, death, incapacitation or termination of employment. Both the employee and the company make monthly contributions to the Regional Provident Fund Commissioner equal to a specified percentage of the covered employee's salary.

c. Employee State Insurance Fund:

Eligible employees receive benefits from employee state insurance scheme, which is a gross salary of less than Rs.10,000 per month are entitled to receive benefit under employee state insurance fund scheme. The employer makes contribution to the scheme at a predetermined rate (presently 4.75%) of employee's gross salary. Tanla has no further obligations under the plan beyond its monthly contributions. These contributions are made to fund administered and managed by the Government of India. Tanla's monthly contributions are charges to income in the year it is incurred.

7. Research and development

Revenue expenditure incurred on research and development is expensed as incurred. Capital expenditure incurred on research and development is depreciated on straight-line method, pro-rata for the period of usage, in accordance with the rates prescribed under schedule XIV of the Companies Act, 1956.

8. Foreign Currency Transactions

The company translates all foreign currency transactions at Exchange Rates prevailing on the date of transactions. Exchange rate differences resulting from foreign exchange transactions settled during the year are recognized as income or expenses in the period in which they arise.

Monetary current assets and monetary current liabilities that are denominated in foreign currency are translated at the exchange rate prevalent at the date of the balance sheet. The resulting difference is also recorded in the profit and loss account.

9. Income tax

Income taxes are computed using the tax effect accounting method, in accordance with the Accounting Standard (AS 22) "Accounting for Taxes on Income" which includes current taxes and deferred taxes. Deferred income taxes reflect the impact if current year timing differences between taxable income and accounting income for the year and the relevant of timing difference of earlier years. Deferred tax asset and liabilities are measured at the tax rates that are expected to apply to the period when the asset / liability is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred Tax assets are recognized and carried forward only to the extent that there is a reasonable

certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

10. Earnings Per Share

In determining earnings per share, the company considers the net profit after tax expense. The number of shares used in computing basic earnings per share is the weighted average shares outstanding during the period.

11. Investments

Long term trade investments are stated at cost & all other investments are carried at lower of cost or fair value.

12. Cash flow statement

Cash flows are reported using the indirect method, whereby net profit 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.

13. Public issue expenses

The expenses incurred for follow on public issue has been written off in five equal installments from the year of completion of public issue.

II. Notes on Accounts:

All amounts in the financial statements are presented in Rupees and as otherwise stated.

1. Contingent Liabilities

(in Rs.)

S.No	Particulars	For the Year 2009-10	For the Year 2008-09
1	Outstanding guarantees & letters of credit given by the company	6,400,000	3,750,000
2	Claims against company, not acknowledged as debts	77,028,179	36,708,456
3	Claims made by company, not acknowledged as debts	NIL	NIL
4	Corporate Guarantee given to subsidiary companies	10,112,974	43,045,000

* Includes service tax Rs.67,870,335.

2. Aggregate Expenses

The aggregate amounts incurred on various expenses under cost of sales, Selling & marketing expenses and General & administrative expenses:

(in Rs.)

Particulars	For the Year 2009-10	For the Year 2008-09
Cost of services	97,811,378	158,798,572
Staff salaries and benefits	91,351,368	256,892,568
Traveling expenses	8,635,037	21,035,158
Communication Expenses	5,220,942	10,077,824
Repairs & maintenance expenses	7,725,923	9,831,511
Rent, rates & taxes	12,324,483	65,230,568
Printing and stationery	1,507,638	3,181,875
Advertisement expenses	15,509,347	7,816,525
Office maintenance expenses	1,302,146	5,273,654
Power and fuel	4,203,843	8,361,461
General Expenses	2,590,779	2,174,635
Professional charges	8,933,640	5,830,862
R&D Expenses	7,880,320	10,436,437
Auditors Remuneration		
Statutory audit fees	600,000	600,000
Tax audit fees	200,000	200,000
Certification and other charges	200,000	200,000
Bank Charges	418,520	2,128,852
Bad debts written off	941,112	0
Loss on sale of vehicles	2,299,889	1,131,933
Exchange Fluctuation	131,572,478	163,496,070
Total	401,228,842	732,698,506

3. Quantitative details

The Company is engaged in the business of development & maintenance of Computer Software, offshore development and other related services. The production and sale of such software services cannot be expressed in any generic unit and hence it is not possible to give such quantitative details of sales and certain information as required under paragraph 3,4C and 4D of Part II of Schedule VI to the Companies Act, 1956. The

details of Conservation of Energy, Technology absorption are given in Directors Report. R&D expenditure is not separately accounted for.

4. Foreign Exchange earned and outgo (in Rs.)

a. Imports (valued on the cost, insurance and freight basis)

Particulars	For the Year 2009-10	For the Year 2008-09
Import of capital goods (on accrual basis)	12,598,165	349,554,718

b. Activity in foreign currency

(in Rs.)

Particulars	For the Year 2009-10	For the Year 2008-09
Earnings in foreign exchange (on accrual basis)		
Income from software products and offshore development services	465,737,774	1,547,154,783
Dividends received	0	0
Interest received	18,945,548	23,938,146
Expenditure in foreign exchange (on accrual basis)		
Cost of services	76,977,612	133,509,981
Foreign Travel Expenses	2,900,635	3,020,837
Professional Charges	1,134,921	0
Net earnings in foreign exchange	391,071,989	1,085,007,393

5. Research and development expenditure

(in Rs.)

Particulars	For the Year 2009-10	For the Year 2008-09
Capital expenditure	12,367,099	251,239,588
Revenue expenditure		
Staff salaries and benefits	6,277,351	8,073,332
R&D Consumables	294,193	1,804,707
Overheads	1,308,776	6,437,000
Total	20,247,419	267,554,627

6. Related Party Transactions

a. List of related parties:

	Name of Related Party	Country	Nature of Relationship
1	Tanla Solutions (UK) Limited	UK	Wholly-owned subsidiary
2	Mufi Thumb Entertainment Pvt Ltd	India	Wholly-owned subsidiary
3	Tanla Mobile Ltd	UK	Wholly-owned subsidiary of Tanla (UK)
4	Tanla Mobile Asia Pacific Pte Ltd	Singapore	Wholly-owned subsidiary
5	Tanla Mobile Ireland Ltd	Ireland	Wholly-owned subsidiary of Tanla Mobile Asia Pacific Pte Ltd
6	Tanla Mobile Middle East FZ LLC	UAE	Wholly-owned subsidiary of Tanla Mobile Asia Pacific Pte Ltd
7	Tanla Oy	Finland	Wholly-owned subsidiary of Tanla Mobile Oy Finland
8	Tanla Mobile Private Limited	India	Wholly-owned subsidiary
9	TZ Mobile Private Limited	India	Joint venture with ZED WORLDWIDE HOLDINGS, S.L., Spain

The details of the related party transactions entered into by the company for the year ended on March 31, 2010: (in Rs.)

Particulars	Tanla Solutions (UK) Limited - UK	Mufi Thumb Entertainment Pvt Ltd	Tanla Mobile Limited - UK	Tanla Mobile Asia Pacific Pte Ltd - Singapore	Tanla Mobile Ireland Pvt Ltd - Ireland	Tanla Mobile Middle East FZ LLC - Dubai	Tanla Oy Finland	Tanla Mobile Private Limited	TZ mobile Pvt Ltd
a Relationship between the parties	Wholly-owned subsidiary	Wholly-owned subsidiary	Wholly-owned subsidiary of Tanla Solutions (UK) Ltd.	Wholly-owned subsidiary	Wholly-owned subsidiary of Tanla Mobile Asia Pacific Pte. Ltd.	Wholly-owned subsidiary of Tanla Mobile Asia Pacific Pte. Ltd.	Wholly-owned subsidiary of Tanla Mobile Finland OY	Wholly-owned subsidiary	Joint Venture with ZED WORLDWIDE HOLDINGS, S.L., Spain
b Nature of transactions	Principal repayment received, Interest receivable & Advance	Advance	Advance	Reimbursement of expenses	Advance	Sale of Services & Reimbursement of expenses	Sale of Products, Services	Reimbursement of expenses	Sale of Products, Services & Reimbursement of expenses
c Value of transactions	(273,879,103)	0	0	0	0	0	58,217,735	28,734,725	1,690,885
d Amount of outstanding	173,796,726	(3,509,565)	(36,028,968)	692,825	(15,395,425)	4,556,355	54,468,745	532,667	(282,992)
e Provision for doubtful debts	-	-	-	-	-	-	-	-	-
f Amount written off	-	-	-	-	-	-	-	-	-

b. Transactions with key management personnel

Particulars of remuneration and other benefits paid to key management personnel during the year ended March 31, 2010: (executive directors)

(in Rs.)

Name	Salary & Allowance	Contribution to Provident & Other Funds	Perquisites & Incentives	Total Remuneration
D. Uday Kumar Reddy Chairman & Managing Director	4,036,480	203,520	14,400	4,254,400
Satish Kathirisetti Director - Technical	2,507,116	144,547	14,400	2,666,063
Anoop Roy Kundal Director - Operations	1,369,669	61,331	14,400	1,445,400
Amit Gupta Director - Finance	2,732,883	118,496	14,400	2,865,779
Navnit Chachan Director - Engg. & Tech.	2,778,093	121,907	14,400	2,914,400
Total	13,424,241	649,802	72,000	14,146,043

Particulars of remuneration and other benefits paid to key management personnel during the year ended March 31, 2010: (non-executive directors)

(in Rs.)

Name	Sitting Fees	Reimbursement of Expenses	Total
Mr. Abhishek Khaitan - Director	-	-	-
Dr. Sudhanshu Shekhar Jamuar - Director	20,000	-	20,000
Padmabhushan Ram Narain Agarwal - Director	70,000	-	70,000
Mr. Surjeet Kumar Palhan - Director	50,000	-	50,000
Mr. Villadath Harish Kumar - Director	40,000	-	40,000
Mr. Srikanth Madan Chitnis - Director	-	-	-
Total	180,000	-	180,000

The aggregate of managerial remuneration under Section 198 of the Companies Act, 1956, to the directors (including managing director) is:

(in Rs.)

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
Whole-time directors		
Salary	13,424,241	16,569,746
Contributions to provident and other funds	649,802	837,726
Perquisites and incentives	72,000	77,000
Total	14,146,043	17,484,472
Non-whole-time directors		
Sitting fees	180,000	140,000
Reimbursement of expenses	-	-
Total	180,000	140,000
Grand Total	14,326,043	17,624,472

No commission was paid to the directors and computation of net profit in accordance with Section 349 of the Companies Act, 1956, for commission payable to non-whole-time directors is not required.

7. Dues to micro & small-scale industrial undertakings

As at March 31, 2010 as per available information with the company, there are no dues to small scale Industrial Undertakings.

8. Income taxes

The provision for taxation includes tax liabilities in India on the company's global income as reduced by exempt incomes and any tax liabilities arising overseas on income sourced from those countries.

The details of deferred tax liability comprises the following:

(in Rs.)

Particulars	March 31, 2010	March 31, 2009
Deferred tax liability		
On account of depreciation	89,909,929	103,790,190
Deferred tax asset		
On account of misc. expenses w/o	16,322,475	16,322,475
On un-absorbed losses	24,102,775	-
Sub-Total	40,425,250	16,322,475
Net deferred tax liability	49,484,680	87,467,715

9. Details of funds received from Follow on Public offer:

During the fiscal year 2007, the company has raised an amount of Rs.420.95 crores from the follow on public offer (FPO) of equity shares. The details of funds received and utilized is as follows:

Statement of utilization of FPO funds as of March 31, 2010

(In Rs.)

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
Amount raised through FPO / Op .Bal	4,209,525,000	4,209,525,000
Share issue expenses paid	193,348,658	193,348,658
Net Proceeds	4,016,176,342	4,016,176,342
Setting up Infrastructure Facilities for Development Centre at Hyderabad / Backup / Disaster Recovery Centre at Bangalore	241,500,000	600,000,000
Establishing Overseas Marketing Offices	40,601,500	40,601,500
Expansion & Up-gradation of Existing Research & Product Development Facilities	220,249,501	220,249,501
Fund regional / Global expansion and acquisition of strategic business	199,999,504	199,999,504
Meet working capital requirements	284,479,608	284,479,608
Contingencies	-	-
General Corporate purposes	3,029,346,229	2,186,925,009
Net Utilisation	4,016,176,342	3,532,255,122
Balance funds unutilised	-	483,921,220
Invested in:		
Investments in fixed deposits	-	483,921,220
Investments in short term mutual funds	-	-
Balance in bank accounts	-	-

The Company has in accordance with the statutory provisions, including SEBI (ICDR) Regulations, 2009 Guidelines, and with the approval of the members sought through postal ballot, issued and allotted 1,479,593 equity shares of Re. 1 each at a price of Rs. 61.53 including a premium of Rs. 60.53 each fully paid-up, on a preferential basis to the current management team of erstwhile Openbit Oy, Finland (now known as Tanla Oy) on March 24, 2010.

10. Cash and bank balances

Details of balances as at balance sheet date with non-scheduled banks:

(In Rs.)

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
Citibank N.A	442,168	129,704,115

11. Segment reporting

As required by the Accounting Standard (AS 17) "Segment Reporting", the Company is mainly engaged in the area of Software Development and related services. Hence segment reporting is not applicable to the Company and to the nature of its business.

12. Earnings per share

(In Rs.)

Particulars	For the Year 2009-2010	For the Year 2008-2009
Net profit after tax	32,649,183	732,825,198
Weighted average number of equity shares of Re.1/- each	100,028,376	100,000,000
Nominal value of shares	Re.1	Re.1
Earnings per share (basic/diluted)	0.33	7.33

13. The previous year figures have been recast / restated, wherever necessary, to the current period's classification.

14. Financial figures have been rounded off to nearest rupee.

15. Schedules 1 to 15 form part of Balance Sheet and have been authenticated.

As per our report of even date attached

For and on behalf of the Board of Directors

For RAMASAMY KOTESWARA RAO & CO.,

Chartered Accountants

Firm Regn. No. 010396S

Sd/-

(C.V. Koteswara Rao)

Partner

Membership No. 28353

Place: Hyderabad.

Date: September 05, 2010

Sd/-

D.Uday Kumar Reddy

Chairman & Managing Director

Sd/-

Amit Gupta

Director – Finance

Sd/-

Satish Kathirisetti

Director – Technical

Sd/-

Seshanuradha Chava

Company Secretary

Statement Pursuant to Section 212(8) of the Companies Act, 1956, relating to Subsidiary Companies

S No.	Name of the Subsidiary Company	Reporting Currency	Capital	Reserves	Total Assets	Total Liabilities	Investments	Turnover	Profit before Taxation	Provision for Taxation	Profit after Taxation	Proposed Dividend	Country
01	Tanla Mobile Asia Pacific Pte Ltd INR Lakhs Exchange rate as on 31.03.2010	SGD	125,401,644 40,319,14 32.15	(17,260,902) (5,549,73) 32.15	110,716,708 35,597,64 32.15	110,716,708 35,597,64 32.15	15,128,943 4,864,26 32.15	1,988,928 660.42 33.20	(6,659,114) (2,211.15) 33.20	- - -	(6,659,114) (2,211.15) 33.20	- - -	Singapore
02	Tanla Mobile Inc, USA. INR Lakhs Exchange rate as on 31.03.2010	USD	1,406,014 634.67 45.14	(1,376,893) (621.53) 45.14	31,237 14.10 45.14	31,237 14.10 45.14	- - -	- - -	(109,847) (52.09) 47.42	- - -	(109,847) (52.09) 47.42	- - -	USA
03	Tanla Mobile Ireland Pvt Ltd, INR Lakhs Exchange rate as on 31.03.2010	EURO	6,002,625 3,635.19 60.56	2,847,143 1,724.23 60.56	8,849,768 5,359.42 60.56	8,849,768 5,359.42 60.56	- - -	2,108,129 1,414.15 67.08	20,021 13.43 67.08	119,438 80.12 67.08	(99,417) (66.69) 67.08	- - -	Ireland
04	Tanla Mobile Sdn Bhd, Malaysia. INR Lakhs Exchange rate as on 31.03.2010	RM	2 0.00 13.89	(2) (0.00) 13.79	- - -	- - -	- - -	17,475 2.42 13.83	9,375 1.30 13.83	- - -	9,375 1.30 13.83	- - -	Malaysia
05	Tanla Mobile South Africa Pty Ltd INR Lakhs Exchange rate as on 31.03.2010	ZAR	250,100 15.29 6.11	(1,024,610) (62.62) 6.11	1,651,023 100.91 6.11	1,651,023 100.91 6.11	- - -	4,136,857 253.63 6.13	(1,334,245) (81.80) 6.13	(387,067) - -	(947,178) (58.07) 6.13	- - -	South Africa
06	Tanla Mobile South Asia Pvt Ltd INR Lakhs Exchange rate as on 31.03.2010	SLR	5,620,698 22.22 0.40	(4,542,447) (17.96) 0.40	1,177,251 4.65 0.40	1,177,251 4.65 0.40	- - -	700,000 - -	(817,412) (3.40) 0.42	- - -	(817,412) (3.40) 0.42	- - -	Sri Lanka
07	Tanla Mobile Middle East FZ LLC INR Lakhs Exchange rate as on 31.03.2010	USD	13,605 6.14 45.14	32,576,880 14,705.20 45.14	76,002,882 34,307.70 45.14	76,002,882 34,307.70 45.14	16,007,701 7,225.88 45.14	22,186,290 10,519.87 47.42	9,954,461 4,720.02 47.42	- - -	9,954,461 4,720.02 47.42	- - -	UAE
08	Tanla Mobile Finland Oy INR Lakhs Exchange rate as on 31.03.2010	EURO	10,380,280 7,004.61 67.48	(121,058) (81.69) 67.48	19,080,097 12,875.25 67.48	19,080,097 12,875.25 67.48	14,605,295 9,855.65 67.48	30,001.51 20.25 67.48	(120,943) (81.61) 67.48	0.67 0.00 67.48	(120,943) (81.61) 67.48	- - -	Finland
09	Tanla Oy INR Lakhs Exchange rate as on 1.03.2010	EURO	261,013 158.07 60.56	4,758,343 2,881.65 60.56	14,623,589 8,856.05 60.56	14,623,589 8,856.05 60.56	84.09 0.05 60.56	15,281,353 10,250.84 67.08	589,516 395.45 67.08	155,352.86 104.21 67.08	434,163 291.24 67.08	- - -	Finland
10	Tanla Solutions UK Ltd INR Lakhs Exchange rate as on 31.03.2010	GBP	1,000 0.68 68.03	2,901,083 1,973.69 68.03	2,902,083 1,974.37 68.03	2,902,083 1,974.37 68.03	103 0.07 68.03	2,123,269 1,611.21 75.88	(209,894) (159.27) 75.88	81,870 62.13 75.88	(291,764) (221.40) 75.88	- - -	UK
11	Tanla Mobile Ltd., INR Lakhs Exchange rate as on 1.03.2010	GBP	103 0.07 68.03	10,220,901 6,953.57 68.03	10,221,004 6,953.64 68.03	10,221,004 6,953.64 68.03	3,006 2.05 68.03	9,987,669 7,578.99 75.88	(51,408) (39.01) 75.88	19,460 14.77 75.88	(70,868) (53.78) 75.88	- - -	UK
12	Tanla Mobile Spain, SL INR Lakhs Exchange rate as on 31.03.2010	EURO	3,006 1.82 60.56	(54,736) (33.15) 60.56	5,629 3.41 60.56	5,629 3.41 60.56	- - -	162 0.11 67.08	58 0.04 67.08	- - -	58 0.04 67.08	- - -	Spain
13	Mufi Thumb Pvt Ltd INR Lakhs	INR	2,500,000 25.00	979,565 9.80	3,479,565 34.80	3,479,565 34.80	- -	27,437 0.27	17,361 0.17	- -	17,361 0.17	- -	India
14	Tanla Mobile Private Limited INR Lakhs	INR	10,000,000 100.00	106,966,818 1,069.67	121,531,267 1,215.31	121,531,267 1,215.31	- -	236,300,743 2,363.01	111,535,146 1,115.35	4,568,328 45.68	106,966,818 1,069.67	- -	India

Information Pursuant to the Provisions of Part IV of Schedule VI to the Companies Act, 1956 Statement on Balance Sheet Abstract and General Business Profile of the Company:

I. Registration Details

Registration No.	: L72200AP1995PLC021262
State Code	: 01
Balance Sheet Date	: 31-03-2010

II. Capital Raised during the year

Public Issue	: Nil
Rights Issue	: Nil
Bonus Issue	: Nil
Private Placement	: Nil

III. Position of Mobilization and Deployment of Funds

Total Liabilities	: 6,611,388,140
Total Assets	: 6,611,388,140

SOURCES OF FUNDS :

Paid-up Capital	: 101,479,593
Reserves & Surplus	: 6,460,423,867
Deferred Tax Liability	: 49,484,680

APPLICATION OF FUNDS:

Net Fixed Assets	: 1,546,532,588
Investments	: 3,881,755,449
Net Current Assets	: 1,135,078,700
Misc. Expenditure	: 48,021,403

IV. Performance of Company

Turnover/Income	: 577,391,384
Total Expenditure	: 582,725,237
Profit Before Tax	: (5,333,853)
Profit After Tax	: 32,649,183
Earning per Share (face value Re.1 each) in Rs.	: 0.33
Dividend Rate %	: 10%

V. Generic Names of three principal Products/services of Company

(As per monetary terms)	:
Item Code No. (IIC Code)	: 85249009.10
Product Description	: Software Development and related services

As per our report of even date attached

For and on behalf of the Board of Directors

For RAMASAMY KOTESWARA RAO & CO.,
Chartered Accountants

Firm Regn. No. 0103965

Sd/-

(C.V. Koteswara Rao)

Partner

Membership No. 28353

Sd/-

D.Uday Kumar Reddy
Chairman & Managing Director

Sd/-

Amit Gupta
Director – Finance

Sd/-

Satish Kathiriseti
Director – Technical

Sd/-

Seshanuradha Chava
Company Secretary

Place: Hyderabad.

Date: September 05, 2010

Auditors' Report to the Board of Directors of Tanla Solutions Limited on the Consolidated Financial Statements of Tanla Solutions Limited and its Subsidiaries.

To

The Board of Directors of Tanla Solutions Limited

1. We have audited the attached Consolidated Balance Sheet of Tanla Solutions Limited and its subsidiaries (collectively 'the Group'), as at March 31, 2010, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on the date annexed thereto, which we have signed under reference to this report. These Consolidated Financial Statements are the responsibility of Group's management and has been prepared by the management on the basis of separate financial statements and financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2. 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 prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material mis-statement. 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.

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

4. On the basis of the information and explanations given to us and on consideration of the separate reports on individual audited financial statements of Tanla Solutions Limited and its consolidated entities, in our opinion, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) In the case of the Consolidated Balance Sheet, of the Consolidated state of affairs of the Group as at March 31, 2010;
- (b) In the case of the Consolidated Profit and Loss Account, of the Consolidated Profit of Group for the year ended on that date; and
- (c) In the case of the Consolidated Cash Flow Statements, of the Consolidated Cash Flows of Group for the year ended on that date.

For RAMASAMY KOTESWARA RAO & CO.,
Chartered Accountants
Firm Regn No:010396S

Sd/-

(C.V KOTESWARA RAO)
Partner
Membership No.28353

Place : Hyderabad

Date : September 05, 2010

Tanla Solutions Limited Hyderabad

Consolidated Balance Sheet as at

(In Rs.)

	Schedule	March 31, 2010	March 31, 2009
SOURCES OF FUNDS:			
Shareholder's funds			
Share capital	1	101,479,593	100,000,000
Reserves & surplus	2	9,274,232,918	8,944,714,825
Deferred tax liability	3	101,426,526	133,446,139
Minority Interest		36,461,300	32,604,382
		9,513,600,337	9,210,765,345
APPLICA TION OF FUNDS:			
Fixed assets:	4		
Gross block		4,410,555,344	3,512,563,029
Less:Depreciation		1,473,737,933	752,749,009
Net block		2,936,817,411	2,759,814,020
Capital work-in-progress (incl. advances)		1,019,169,779	856,096,219
Goodwill	5	596,784,563	590,705,148
Investments	6	-	3,984,801
Current assets, loans & advances:			
Product under Development		361,176,160	-
Sundry Debtors	7	1,720,446,102	2,687,513,891
Cash & bank balances	8	1,482,125,857	1,709,615,997
Loans & advances	9	1,847,158,654	1,107,042,562
		5,410,906,773	5,504,172,450
Less:Current liabilities & provisions	10	498,099,592	600,050,098
		4,912,807,182	4,904,122,352
Miscellaneous expenditure	11	48,021,403	96,042,806
		9,513,600,337	9,210,765,345
Significant accounting policies and notes on accounts	16		

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

As per our report of even date attached

For and on behalf of the Board of Directors

For RAMASAMY KOTESWARA RAO & CO.,
Chartered Accountants
Firm Regn. No. 0103965

Sd/-
(C.V. Koteswara Rao)
Partner

Membership No.28353

Sd/-

D.Uday Kumar Reddy
Chairman & Managing Director

Sd/-

Amit Gupta
Director – Finance

Sd/-

Satish Kathiriseti
Director – Technical

Sd/-

Seshanuradha Chava
Company Secretary

Place: Hyderabad.

Date: September 05, 2010

Tanla Annual Report 2009 - 2010

Tanla Solutions Limited

Hyderabad

Consolidated Profit and Loss account for the year ended

(In Rs.)

	Schedule	March 31, 2010	March 31, 2009
INCOME			
Sale of software products and services			
Overseas		3,619,579,281	6,694,635,113
Domestic - India		44,817,179	176,679,766
		3,664,396,460	6,871,314,878
EXPENDITURE			
Cost of sales	12	1,672,451,805	2,996,429,982
Sales & marketing expenses	13	403,434,328	511,318,436
General & administrative expenses	14	519,038,055	515,068,587
		2,594,924,187	4,022,817,005
Operating profit before interest, depreciation		1,069,472,273	2,848,497,873
Depreciation & amortisation	4	852,540,709	643,747,237
Operating profit after interest, depreciation		216,931,564	2,204,750,636
Other income	15	56,012,245	61,269,159
Net profit before tax		27,294,380	2,266,019,795
Tax expense - Current Tax		25,756,665	174,282,626
- FBT		-	2,643,220
- Deferred Tax		-35,946,733	65,418,883
Net profit after tax		283,133,877	2,023,675,066
Minority Interest		5,445,175	32,604,382
Profit brought forward from last year		4,355,142,211	2,495,851,546
Amount available for appropriations		4,632,830,913	4,486,922,230
Transfer to general reserve		816,230	73,282,520
Proposed dividend		10,147,959	50,000,000
Corporate dividend tax		1,724,646	8,497,500
Net profit transferred to balance sheet		4,620,142,078	4,355,142,211
Earning per share basic / diluted		2. 78	19. 91
Weighted average number of shares		100,028,376	100,000,000
Significant accounting policies and notes on accounts	16		

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

As per our report of even date attached

For and on behalf of the Board of Directors

For RAMASAMY KOTESWARA RAO & CO.,

Chartered Accountants

Firm Regn. No. 0103965

Sd/-

(C.V. Koteswara Rao)

Partner

Membership No.28353

Place: Hyderabad.

Date: September 05, 2010

Sd/-

D.Uday Kumar Reddy

Chairman & Managing Director

Sd/-

Amit Gupta

Director – Finance

Sd/-

Satish Kathirisetty

Director – Technical

Sd/-

Seshanuradha Chava

Company Secretary

Tanla Solutions Limited
Hyderabad

Consolidated Cash Flow Statement for the year ended

(In Rs.)

	March 31, 2010	March 31, 2009
A. CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit before taxation, and extra-ordinary items	272,943,809	2,266,019,795
Adjusted for :		
Depreciation	724,334,389	547,865,239
Interest & other income received	(56,012,245)	(53,903,279)
Profit on sale of assets (net) / Misc Income	-	(7,365,880)
Public issue expenses & goodwill w/o	128,206,320	95,881,998
Operating profits before working capital charges	1,069,472,273	2,848,497,873
Changes in current assets and liabilities		
Products under development	(361,176,160)	-
Sundry debtors	949,630,591	(1,151,508,022)
Loans and advances	(737,316,093)	(296,025,394)
Current liabilities and provisions	159,697,807	(121,409,167)
Cash generated from operations	1,080,308,418	1,279,555,291
Income taxes paid	73,529,471	183,833,200
Net cash generated from operating activities	1,006,778,947	1,095,722,091
B. CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets and change in capital work-in-progress	(1,066,458,013)	(1,826,318,046)
Proceeds on sale of fixed assets	2,770,181	22,243,336
Purchase of investments	(150,318,222)	(608,773,822)
Proceeds from sale of shares (Investments)	3,984,801	1,408,328,855
Interest received	56,012,245	53,903,279
Net cash used in investing activities	(1,154,009,007)	(950,616,398)
C. CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from follow on public offer - equity capital	1,479,593	-
Proceeds from follow on public offer - equity premium	89,559,775	-
Dividends and dividend tax paid during the year	(58,497,500)	(140,394,000)
Un-realised exchange gain / (loss) on conversion	(112,801,948)	(133,116,428)
Net Cash generated from financing activities	(80,260,080)	(273,510,428)
D. Net increase / (decrease) in cash and cash equivalents	(227,490,141)	(128,404,734)
E. Cash and cash equivalents at the beginning of the year	1,709,615,998	1,838,020,732
F. Cash and cash equivalents at the end of the year	148,2125,857	1,709,615,998
Significant accounting policies and notes on accounts	16	

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

As per our report of even date attached

For and on behalf of the Board of Directors

For RAMASAMY KOTESWARA RAO & CO.,

Chartered Accountants

Firm Regn. No. 010396S

Sd/-

(C.V. Koteswara Rao)

Partner

Membership No.28353

Sd/-

D.Uday Kumar Reddy

Chairman & Managing Director

Sd/-

Amit Gupta

Director – Finance

Sd/-

Satish Kathirisetti

Director – Technical

Sd/-

Seshanuradha Chava

Company Secretary

Place: Hyderabad.

Date: September 05, 2010

Tanla Annual Report 2009 - 2010

Tanla Solutions Limited
Hyderabad

Schedules to Consolidated Balance Sheet as at

(In Rs.)

	March 31, 2010	March 31, 2009
SCHEDULE : 1		
SHARE CAPITAL		
<i>Authorised</i>		
120,000,000 equity shares of Re . 1/- each	120,000,000	120,000,000
Issued, Subscribed and Paid-up (10,14,79,593 equity shares of Re.1/-each fully paid) (Previous year 10,00,00,000 equity shares of Re.1/-each fully paid)	101,479,593	100,000,000
TOTAL	101,479,593	100,000,000
SCHEDULE : 2		
RESERVES & SURPLUS		
Share Premium	4,206,330,200	4,207,067,438
Add: Additions during the year	89,559,775	-
Investment subsidy	4,295,889,976	4,207,067,438
General reserve	400,000	400,000
Add: Transfer from the profit and loss account	248,988,749	175,706,229
	816,230	73,282,520
Balance in profit and loss account	249,804,978	248,988,749
Net reserves & surplus from joint ventures	4,620,142,078	4,355,142,211
Currency translation reserve	- 4,806,063	-
	112,801,948	133,116,428
TOTAL	9,274,232,918	8,944,714,825
SCHEDULE : 3		
DEFERRED TAX LIABILITY		
Deferred Tax Liability - on Depreciation	141,851,775	149,768,614
Deferred Tax Asset		
on preliminary & public issue expenses w/o	16,322,475	16,322,475
on un-absorbed losses	24,102,775	-
	40,425,250	16,322,475
Net deferred tax liability	101,426,526	133,446,139

Tanla Solutions Limited

Hyderabad

Schedules to Balance Sheet as at

(In Rs.)

	March 31, 2010	March 31, 2009
SCHEDULE : 5		
Goodwill		
On acquisition of Mufi Thumb Entertainment Pvt Ltd	4,674,000	4,674,000
On acquisition of Tanla Solutions (UK) Ltd.	25,117,920	25,117,920
On acquisition of Tanla Mobile Asia Pacific Pte Ltd	646,687,548	608,773,822
On TZ Mobile Pvt Ltd	-	-
On Tanla Mobile Pvt Ltd	-	-
	676,479,468	638,565,742
Less: Goodwill written off	79,694,905	47,860,595
Total	596,784,563	590,705,148
SCHEDULE : 6		
Investments		
Non-trade (unquoted)		
Other shares & Securities	-	3,984,801
Total	-	3,984,801
SCHEDULE : 7		
SUNDRY DEBTORS		
(Unsecured considered good)		
Debts due for more than six months	562,491,018	34,873,646
Less: provision for bad debts	-	-
Other Debts	1,157,955,084	2,652,640,245
Total	1,720,446,102	2,687,513,891
SCHEDULE : 8		
CASH & BANK BALANCES		
Cash on hand	94,225	102,457
With scheduled banks:		
in current accounts	1,255,566,413	1,081,751,718
in deposit accounts	226,465,219	627,761,822
Total	1,482,125,857	1,709,615,997

Tanla Solutions Limited
Hyderabad

Schedules to Consolidated Balance Sheet as at

(In Rs.)

	March 31, 2010	March 31, 2009
SCHEDULE : 9		
LOANS & ADVANCES		
(considered good unless otherwise stated)		
Advances recoverable in cash or kind or for value to be received	1,524,351,078	796,118,898
Deposits with Others	56,647,996	34,706,974
Service-tax inputs credit	15,000,000	-
Advance income tax & TDS	251,159,580	276,216,690
TOTAL	1,847,158,654	1,107,042,562
SCHEDULE : 10		
CURRENT LIABILITIES & PROVISIONS		
Current liabilities:		
Sundry creditors for expenses		
Dues to micro and small enterprises	-	-
Dues to other than micro and small enterprises	168,343,339	48,294,251
Other liabilities	49,228,361	13,781,356
Unclaimed dividend	1,027,120	682,325
Sub Total	218,598,820	62,757,932
Provisions:		
Provision for income tax	267,628,167	478,794,666
Proposed dividend	10,147,959	50,000,000
Tax on dividend	1,724,646	8,497,500
Sub Total	279,500,772	537,292,166
TOTAL	498,099,592	600,050,098
SCHEDULE : 11		
MISCELLANEOUS EXPENSES		
(to the extent not written off or adjusted)		
Public issue & preliminary expenses	96,042,806	144,064,209
Add: additions during the year	490,012	-
	96,532,818	144,064,209
less: Written off during the year	48,511,415	48,021,403
TOTAL	48,021,403	96,042,806

Tanla Solutions Limited
Hyderabad

Schedules to Consolidated Profit & Loss Account for the year ended

(In Rs.)

	March 31, 2010	March 31, 2009
SCHEDULE : 12		
COST OF SALES		
Cost of services	1,546,445,084	2,732,686,435
Staff salaries & benefits	81,272,679	174,686,946
Travelling expenses	15,564,718	14,724,611
Communication expenses	5,546,651	7,558,368
Repairs & maintenance expenses	3,953,703	7,865,209
Rent, rates & taxes	10,652,601	45,987,550
Printing & stationery	799,593	1,272,750
Office maintenance expenses	1,263,221	3,955,241
Power & fuel	3,512,900	6,605,554
General expenses	3,440,654	1,087,318
TOTAL	1,672,451,805	2,996,429,982
SCHEDULE :13		
SELLING & MARKETING EXPENSES		
Staff salaries & benefits	177,207,822	142,065,108
Travelling expenses	8,276,272	9,448,173
Communication expenses	1,218,060	9,143,666
Repairs & maintenance expenses	2,741,882	983,151
Rent, rates & taxes	14,304,360	23,894,803
Printing & stationery	999,492	1,590,938
Business promotion and advertisement	182,906,356	320,033,594
Office maintenance expenses	10,153,967	791,048
Power & fuel	558,355	919,761
General expenses	5,067,763	2,448,196
TOTAL	403,434,328	511,318,436

Tanla Solutions Limited
Hyderabad

Schedules to Consolidated Profit & Loss Account for the year ended

(In Rs.)

	March 31, 2010	March 31, 2009
SCHEDULE : 14		
GENERAL & ADMINISTRATIVE EXPENSES		
Staff salaries & benefits	86,116,618	166,431,951
Travelling expenses	8,245,299	21,546,098
Communication expenses	834,018	6,095,777
Repairs & maintenance expenses	1,279,801	1,105,988
Rent, rates & taxes	9,007,573	21,487,661
Printing & stationery	222,763	1,470,471
Advertisement expenses	79,816,403	32,983,664
Office maintenance expenses	56,275,925	14,018,418
Power & fuel	704,530	1,062,759
General expenses	2,347,993	64,429,338
Professional charges	13,086,289	19,179,703
R&D Expenses	7,880,320	10,436,437
Auditors remuneration	2,386,668	3,250,892
Finance & bank charges	23,572,429	6,173,784
Provision for Bad debts / written off	941,112	41,495
Loss on sale of assets	2,299,889	-
Exchange fluctuation	224,020,426	145,354,149
TOTAL	519,038,055	515,068,587
SCHEDULE : 15		
OTHER INCOME		
Interest received from banks	10,969,006	21,401,690
Interest received from others	39,652,103	-
Dividend received from mutual funds	-	31,369,656
Profit on sale of assets	-	8,497,813
Misc Income	5,391,136	-
TOTAL	56,012,245	61,269,159

Tanla Solutions Limited
Hyderabad

Schedule - 4 :
FIXED ASSETS & DEPRECIATION - CONSOLIDATED

(In Rs.)

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	April 1, 2009	Additions	Deletions	March 31, 2010	April 1, 2009	Additions	March 31, 2010	March 31, 2009
Land & site development	46,171,392	-	-	46,171,392	-	-	-	46,171,392
Building & Interiors - Owned	142,767,425	9,671,681	-	152,439,106	9,865,677	5,353,148	152,18,825	132,901,748
Building interiors & fixtures - Leasehold	274,933,616	34,712,134	-	309,645,750	39,297,989	34,859,357	74,157,346	235,635,627
Furniture	780,95,309	5,789,964	75,000	83,810,273	17,202,512	3,786,629	20,989,141	60,892,797
Computers	2,530,039,612	403,646,650	106,350	2,933,579,912	529,171,675	501,429,591	1,030,581,382	2,000,867,937
Office equipment	362,435,423	446,564,024	537,076	808,462,371	148,570,199	170,229,938	318,800,137	213,865,224
Vehicles	20,541,981	-	4,673,713	15,868,268	2,931,504	1,951,488	4,160,823	17,610,477
Air conditioning	57,538,136	3,000,000	-	6,0538,136	5,669,316	4,120,827	9,790,143	51,868,820
Library books	40,136	-	-	40,136	40,136	-	40,136	-
	3,512,563,030	903,384,453	5,392,139	4,410,555,344	752,749,008	721,730,978	1,473,737,933	2,759,814,022

Schedule 16

Significant Accounting Policies & Notes on Accounts

I. Significant Accounting Policies

Company overview

Tanla Solutions Limited, its wholly consolidated subsidiaries (hereinafter referred to as "Tanla Group") are engaged in providing global technology services and solutions in wireless communications industry.

Tanla Solutions Limited (hereinafter referred to as "Tanla") was incorporated on July 28th, 1995 in Hyderabad, Andhra Pradesh. Tanla has its headquarters and development centres, facilities in India and serves a global customer base through its subsidiaries. Tanla's range of services are products development and implementations in wireless industry, aggregator services and offshore development services.

Tanla Solutions (UK) Limited, formerly Techserv Teleservices (UK) Limited, UK (hereinafter referred to as "Tanla UK"), a wholly owned subsidiary of Tanla based at London, UK, provides aggregator and offshore development services to clients in telecommunications and offshore service sectors.

MufiThumb Entertainment Private Limited, India (hereinafter referred to as "MufiThumb"), a wholly owned subsidiary of Tanla based at Hyderabad, India is engaged in development of products and services.

Tanla Mobile Limited, formerly Mobizar Limited, UK (hereinafter referred to as "Tanla Mobile"), a wholly owned subsidiary of Tanla UK based at London, UK, provides aggregator services to clients in the telecommunications sector.

Tanla Mobile Asia Pacific Pte Limited, Singapore (hereinafter referred to as "Tanla Singapore"), a wholly owned subsidiary of Tanla based at Singapore, provides aggregator and offshore development services to clients in telecommunications and offshore service sectors.

Tanla Mobile Ireland Pvt Limited, Ireland (hereinafter referred to as "Tanla Ireland"), a wholly owned subsidiary of Tanla Singapore based at Ireland, provides aggregator services to clients in the telecommunications sector.

Tanla Mobile Middle East FZ LLC, Dubai (hereinafter referred to as "Tanla Dubai"), a wholly owned subsidiary of Tanla Singapore based at Dubai, UAE provides aggregator services to clients in the telecommunications sector.

Tanla Mobile Inc, USA (hereinafter referred to as "Tanla Inc."), a

wholly owned subsidiary of Tanla Singapore based at USA, provides aggregator services to clients in the telecommunications sector.

Tanla Mobile Malaysia Sdn Bhd, Malaysia, (hereinafter referred to as "Tanla Malaysia"), a wholly owned subsidiary of Tanla Singapore based at Malaysia, provides aggregator services to clients in the telecommunications sector.

Tanla Mobile South Africa Proprietary Ltd, South Africa (hereinafter referred to as "Tanla South Africa."), a wholly owned subsidiary of Tanla Singapore based at South Africa, provides aggregator services to clients in the telecommunications sector.

Tanla Mobile Australia Pty Ltd, Australia (hereinafter referred to as "Tanla Australia."), a wholly owned subsidiary of Tanla Singapore based at Australia, was de-registered in January 2010.

Tanla Mobile South Asia Pvt Ltd, Srilanka (hereinafter referred to as "Tanla Srilanka."), a wholly owned subsidiary of Tanla Singapore based at Srilanka, provides aggregator services to clients in the telecommunications sector.

Tanla Mobile Spain SL, Spain (hereinafter referred to as "Tanla Spain"), a wholly owned subsidiary of Tanla Mobile based at Spain, provides aggregator services to clients in the telecommunications sector.

Tanla Mobile Finland Oy, Finland (hereinafter referred to as "Tanla Finland"), a wholly owned subsidiary of Tanla Dubai based at Finland. Tanla Finland holds 90 % (as on date) shareholding in Openbit Oy (now Tanla Oy), Finland.

Tanla Mobile Private Limited, India (hereinafter referred to as "TMPL"), a wholly owned subsidiary of Tanla, is involved in development of products and services for clients in the telecommunications sector.

2. Basis of preparation of financial statements

The accompanying financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention, on a going concern basis, while revenue, expenses, assets and liabilities are accounted/recognized on accrual basis. GAAP comprises mandatory accounting standards issued by 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 (SEBI). Accounting policies are consistently applied except where a newly issued accounting

standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

Management evaluates all recently issued or revised accounting standards on an ongoing basis.

The consolidated financial statements of the Group have been prepared based on a line-by-line consolidation of the financial statements of Tanla Solutions Limited and its Subsidiaries. All material inter-Company balances and transactions are eliminated on consolidation.

Assets and liabilities of subsidiaries are translated into Indian Rupees at the rate of exchange prevailing as at the Balance Sheet date. Revenues and Expenses are translated into Indian Rupees at average exchange rates for the financial year.

3. Use of Estimates

The preparation of financial statements in conformity with GAAP requires Management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for doubtful debts, future obligations under retirement benefit plans, income taxes, post-sales customer support and the useful lives of fixed assets and intangible assets.

Management periodically assesses using external and internal sources whether there is an indication that an asset may be impaired. Contingencies are recorded when it is probable that a liability will be incurred, and the amount can be reasonably estimated. Actual results could differ from those estimates.

4. Revenue recognition

Revenue from software development on fixed-price, fixed-time frame contracts where there is no uncertainty as to measurement or collectability has been recognized. On time-and-material contracts, revenue is recognized as the related services are rendered. Provision for estimated losses, if any on uncompleted contracts are recorded in the period in which such losses become probable based on the current contract estimates. Annual Technical Services revenue and revenue from fixed-price maintenance contracts are recognized proportionately over the period in which services are rendered. Revenue from the sale of products for software applications is recognized on transfer of the products to the users.

5. Fixed Assets, intangible assets and capital work-in-progress

Fixed Assets are stated at cost, less accumulated depreciation. All direct costs are capitalized until fixed assets are ready for use

including taxes, duties, freight and other incidental expenses relating to acquisition and installation. Capital work-in-progress comprises outstanding advances paid to acquire fixed assets, and the cost of fixed assets that are not yet ready for their intended use at the balance sheet date. Intangible assets are recorded at the consideration paid for acquisition.

6. Depreciation, amortization and goodwill written off

a) Depreciation on fixed assets is applied on straight-line method, pro-rata for the period of usage, in accordance with the rates prescribed under schedule XIV of the Companies Act, 1956 except on fixed assets of Tanla UK, Tanla Singapore and their subsidiaries.

b) On the fixed assets of Tanla UK, Tanla Singapore and their subsidiaries, depreciation is provided on straight line method at applicable rates based on the local laws and practices of the respective countries.

c) Goodwill has been recognized on consolidation of investment in Tanla Oy with the parent company and the same is to be written off over a period of 10 years.

7. Retirement Benefits

a. Gratuity

In accordance with the Payment of Gratuity Act, 1972, Tanla provides for gratuity, a defined retirement plan (the "Gratuity Plan") covering the eligible employees. The Gratuity Plan provides a lump sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment. Liability with regard to the Gratuity Plan is determined by actuarial valuation as of the balance sheet date, based upon which, the company contributes the ascertained liabilities to the Tanla Solutions Limited Employees Gratuity Scheme Trust (the "Trust") managed by the Life Insurance Corporation of India.

b. Provident fund

Eligible employees receive benefits from a provident fund, which is a defined contribution plan. Aggregate contributions along with interest thereon is paid at retirement, death, incapacitation or termination of employment. Both the employee and the company make monthly contributions to the Regional Provident Fund Commissioner equal to a specified percentage of the covered employee's salary.

c. Employee State Insurance Fund:

Eligible employees receive benefits from employee state insurance scheme, employee's having a gross salary of less than Rs.10,000 per month are entitled to receive benefit under employee state insurance fund scheme. The employer makes

contribution to the scheme at a predetermined rate (presently 4.75%) of employee's gross salary. Tanla has no further obligations under the plan beyond its monthly contributions. These contributions are made to a fund administered and managed by the Government of India. Tanla's monthly contributions are charged to income in the year it is incurred.

8. Research and Development

Revenue expenditure incurred on research and development is expensed as incurred. Capital expenditure incurred on research and development is depreciated on straight-line method, pro-rata for the period of usage, in accordance with the rates prescribed under schedule XIV of the Companies Act, 1956.

9. Foreign Currency Transactions

The company translates all foreign currency transactions at Exchange Rates prevailing on the date of transactions. Exchange rate differences resulting from foreign exchange transactions settled during the year are recognized as income or expenses in the period in which they arise.

Monetary current assets and monetary current liabilities that are denominated in foreign currency are translated at the exchange rate prevalent at the date of the balance sheet. The resulting difference is also recorded in the profit and loss account.

10. Income tax

Income taxes are computed using the tax effect accounting method, in accordance with the Accounting Standard (AS 22) "Accounting for Taxes on Income" which includes current taxes and deferred taxes. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and the relevant timing difference of earlier years. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset / liability is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred Tax assets are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

11. Earnings Per Share

In determining earnings per share, the company considers the net profit after tax expense. The number of shares used in computing basic earnings per share is the weighted average shares outstanding during the period.

12. Investments

Long term quoted investments are stated at cost & all other investments are carried at lower of cost or fair value.

13. Cash flow statement

Cash flows are reported using the indirect method, whereby net profit 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.

14. Public issue expenses

The expenses incurred for follow on public issue has been written off in five equal installments from the year of completion of public issue.

II. Notes on Accounts:

All amounts in the financial statements are presented in Rupees and as otherwise stated.

1. Contingent Liabilities

(in Rs.)

S. No	Particulars	For the Year 2009-2010	For the Year 2008-2009
1	Outstanding guarantees given by the company	6,400,000	3,750,000
2	Claims against company, not acknowledged as debts	77,028,179	36,708,456
3	Claims made by company, not acknowledged as debts	NIL	NIL
4	Corporate Guarantee given to subsidiary companies	10,112,974	4,30,45,000

2. Aggregate Expenses

The aggregate amounts incurred on various expenses under Cost of sales, Selling & marketing expenses and General & administrative expenses:

(in Rs.)

Particulars	For the Year 2009-2010	For the Year 2008-2009
Cost of services	1,546,445,084	2,732,686,435
Staff salaries & benefits	344,597,119	483,184,004
Travelling expenses	32,086,289	45,718,881
Communication expenses	7,598,729	22,797,812
Repairs & maintenance expenses	7,975,386	9,954,348
Rent, rates & taxes	33,964,534	91,370,015
Printing & stationery	2,021,849	4,334,159
Advertisement expenses	262,722,759	353,017,259
Office maintenance expenses	67,693,113	18,764,706
Power & fuel	4,775,784	8,588,074
General expenses	10,856,409	67,964,852
R&D Expenses	7,880,320	10,436,437
Professional charges	13,086,289	19,179,703
Auditors Remuneration	2,386,668	3,250,892
Finance & Bank Charges	23,572,429	6,173,784
Bad debts written off	941,112	41,495
Loss on sale of assets	2,299,889	0
Exchange Fluctuation	224,020,426	145,354,149
Total	2,594,924,187	4,022,817,005

3. Quantitative details

The Company is engaged in the business of development & maintenance of Computer Software, offshore development and other related services. The production and sale of such software services cannot be expressed in any generic unit and hence it is not possible to give such quantitative details of sales and certain information as required under paragraph 3,4C and 4D of Part II of Schedule VI to the Companies Act, 1956. The details of Conservation of Energy, Technology absorption are given in Directors Report. R&D expenditure is not separately accounted for.

4. Foreign Exchange earned and outgo

a. Imports (valued on the cost, insurance and freight basis)

(in Rs.)

Particulars	For the Year 2009-2010	For the Year 2008-2009
Import of capital goods	12,598,165	349,554,718

b. Activity in foreign currency

(in Rs.)

Particulars	For the Year 2009-2010	For the Year 2008-2009
Earnings in foreign exchange (on accrual basis)		
Income from software products and offshore development services	465,737,774	1,547,154,783
Dividends received	-	-
Interest received	18,945,548	23,938,146
Expenditure in foreign exchange (on accrual basis)		
Cost of services	76,977,612	133,509,981
Foreign Travel Expenses	2,900,635	3,020,837
Professional Charges	1,134,921	-
Net earnings in foreign exchange	391,071,989	1,085,007,393

5. Dues to micro & small-scale industrial undertakings

As at March 31, 2010 as per available information with the company, there are no dues to small scale industrial undertakings.

6. Income taxes

The provision for taxation includes tax liabilities in India on the company's global income as reduced by exempt incomes and any tax liabilities arising overseas on income sourced from those countries.

The detail of deferred tax liability comprises the following:

(in Rs.)

Particulars		For the year 2009-2010	For the Year 2008-2009
i	Deferred tax liability		
	On account of depreciation	141,851,775	149,768,614
ii	Deferred tax asset		
	On account of misc. expenses w/o	16,322,475	16,322,475
	On un-absorbed losses	24,102,775	
	Total	40,425,250	16,322,475
	Net deferred tax liability	101,426,526	133,446,139

7. Details of funds received from follow on public offer

During the year 2007, the company has raised an amount of Rs.420.95 crores from the follow on public offer of equity shares. The details of utilization of funds received and utilization as follows:

Statement of utilization of FPO funds as of March 31, 2010

(In Rs.)

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
Amount raised through FPO / Op . Bal	4,209,525,000	4,209,525,000
Share issue expenses paid	193,348,658	193,348,658
Net Proceeds	4,016,176,342	4,016,176,342
Setting up Infrastructure Facilities for Development Centre at Hyderabad / Backup / Disaster Recovery Centre at Bangalore	241,500,000	600,000,000
Establishing Overseas Marketing Offices	40,601,500	40,601,500
Expansion & Up-gradation of Existing Research & Product Development Facilities	220,249,501	220,249,501
Fund regional / Global expansion and acquisition of strategic business	199,999,504	199,999,504
Meet working capital requirements	284,479,608	284,479,608
Contingencies	-	-
General Corporate purposes	3,029,346,229	2,186,925,009
Net Utilisation	4,016,176,342	3,532,255,122
Balance funds unutilised	-	483,921,220
Invested in:		
Investments in fixed deposits	-	483,921,220

8. Cash and bank balances

Details of balances as at balance sheet dates during the year with non-scheduled banks:

(in Rs.)

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
Citibank N.A	442,168	129,704,115

9. Segment reporting

As required by the Accounting Standard (AS 17) "Segment Reporting", the Company is mainly engaged in the area of Software Development and related services. Hence segment reporting is not applicable to the Company and to the nature of its business.

10. Earnings per share

(in Rs.)

Particulars	For the Year 2009-2010	For the Year 2008-2009
Net profit after tax	283,133,877	2,023,675,066
Weighted average number of equity shares of Re. 1/- each	100,028,376	100,000,000
Nominal value of shares	Re.1	Re.1
Earnings per share (basic/diluted) of Re. 1/- each	2.78	19.91

11. The previous year figures have been recast / restated, wherever necessary, to the current period's classification.

12. Financial figures have been rounded off to nearest rupee.

13. Schedules 1 to 16 form part of Balance Sheet and have been authenticated.

As per our report of even date attached

For and on behalf of the Board of Directors

For RAMASAMY KOTESWARA RAO & CO.,
Chartered Accountants
Firm Regn No.010396S
Sd/-
(C.V. Koteswara Rao)
Partner
Membership No.28353

Sd/-
D.Uday Kumar Reddy
Chairman & Managing Director
Sd/-
Amit Gupta
Director – Finance

Sd/-
Satish Kathiriseti
Director - Technical
Sd/-
Seshanuradha Chava
Company Secretary

Place: Hyderabad.

Date: September 05, 2010

Management Discussion & Analysis of Financial Condition and Results of Operations

Summary	Consolidated Profit & Loss Account			All figures in Rs. Lakhs unless indicated
	March 10	March 09	Change (%)	Remarks
Domestic Sales	448.17	1,766.80	-74.63%	Transaction volumes and revenues with Indian operators have grown since last year in the areas of Telecom Products and Aggregation ; however, the overall numbers have dropped drastically due to loss of a key Mobile Payments customer.
Global IT Sales	36,195.79	66,946.35	-45.93%	• Drop in mobile payments/content/VAS transactional traffic worldwide as a result of the economic recession triggered by the 2008 sub-prime crisis. This has resulted in our customers generating less business and thus passing on less business to Tanla. • Change of regulations governing mobile VAS services by PayPhonePlus, the telecom regulatory authority in the United Kingdom. The new regulations require all services (old and new) to obtain a prior approval from the regulator, plus an opt-in every month from all service subscribers for renewal of the service. The change in regulations combined with the current market conditions resulted in a lower marketing spend by the content providers leading to decline in overall traffic and revenue. • All the players in the value chain have been under pressure to increase their margins; this has resulted in some of the players to change their business models. For e.g., in some geographies, MNOs and MVNOs have started offering direct commercial and technical connectivity to mobile service providers.
Consolidated sales	36,643.96	68,713.15	-46.67%	
Cost of Sales	16,724.52	29,964.30	-44.19%	Cost of sales has decreased proportionately on account of reduced sales resulting in marginal reduction of the Gross Margin %.
Gross Margin %	54.4%	56.4%		
Selling & Marketing Expenses	4,034.34	5,113.18	-21.10%	Reduction in Sales and Marketing expenses due to trimming down of sales force in India and overseas offices.
General Administration Expenses	5,190.38	5,150.69	0.77%	Marginal increase in General & Admin expenses on account of foreign exchange loss on receivables. Although operations in India and overseas offices were scaled down owing to the drop in revenues, the expenses could not be reduced proportionally owing to contract commitments of fixed expenses. The savings accrued have been offset by the foreign exchange loss.
Operating Profit (EBITDA)	10,694.72	28,484.98	-62.45%	
EBIDTA (%)	29.2%	41.5%	-29.60%	
Depreciation & Amortization	8,525.41	6,437.47	32.43%	Increased depreciation on account of increased capital expenditure in the previous year and increased depreciation on Goodwill.
EPS (Rs.)	2.78	19.91	-86.06%	

Summary	Consolidated Balance Sheet			All figures in Rs. Lakhs unless indicated
	March 10	March 09	Change (%)	Remarks
Gross Block of Fixed Assets	441 05.55	351 25.63	20.36%	Fixed assets have been increased due to deployment of new mobile telecom platforms with MNOs, MVNOs and customers including media clients, and investment in research & development of new products and platforms.
Goodwill	59 67.85	59 07.05	1.02%	During the year, an additional 5% of shares of Tanla Oy (Finland) were purchased by Tanla taking the ownership of Tanla to 90%; resulting in additional goodwill.
Investments	0.00	39.85	-100%	All liquid mutual funds have been utilized for investments in subsidiary companies and used for working capital requirements.
Sundry Debtors	17204.46	26875.14	-56.21%	Debtors have decreased due to reduction in business operations. Although debtor days have gone up due to increase in payment cycles there are no bad debts.
Cash & Bank Balances	14821.26	17096.16	-15.35%	Decreased due to utilization of funds for working capital as well as for capital requirements and payment of Rs.559.7 lacs for acquisition of additional 5% equity in Tanla Oy (Finland).
Loans & advances	18471.59	11070.43	40.07%	Includes amounts towards factoring to aggregation customers, advances to mobile content providers for mobile content, advances to mobile operators for provisioning of services, deposits for leased real estate, advances to employees, and direct and indirect taxes paid to departments and to be retained under this head until assessment. The increase is primarily towards factoring due to the changed business environment.
Current Liabilities & Provisions	4981.00	6000.50	-20.47%	Decreased due to lower business operations.
Misc. Expenses written off	4 80.21	960.43	-100.00%	Decreased due to current write off.
Deferred Tax Liability	1014.27	1334.46	-31.57%	Decreased on account of timing difference on depreciation allowance.
Minority Interest	364.61	326.04	10.58%	Represents 10% stake in Finland subsidiary Tanla Oy.

Management Discussion & Analysis of Financial Condition and Results of Stand-alone Operations

The Company's Financial Statements have been prepared in compliance with the requirement of the Companies Act, 1956, and the Generally Accepted Accounting Principles (GAAP) in India. Tanla management accepts responsibility for the integrity and objectivity of these financial statements and the bases for various estimates and judgement used therein.

Fiscal year 2010 pertains to the year commenced on April 1, 2009 and ended on March 31, 2010. Fiscal year 2009 pertains to the year commenced on April 1, 2008 and ended on March 31, 2009.

A. Financial Condition

1. Share Capital

The company has only one class of shares. Our authorized share capital at the beginning of the year 2010 was Rs.12 crores (120,000,000 equity shares of par value Re.1 each) and paid-up capital is Rs.101,479,593 (101,479,593 shares of par value Re.1 each).

Particulars	March 31, 2010		March 31, 2009	
	Number of Equity Shares par value Re.1	In Rs.	Number of Equity Shares par value Re.1	In Rs.
Balance at the beginning of the year	100,000,000	100,000,000	100,000,000	100,000,000
Balance at the end of fiscal year	101,479,593	101,479,593	100,000,000	100,000,000

2. Reserves & Surplus

During the year, we recorded a net profit after tax of Rs.32,649,183 out of which Rs.816,230 was transferred to general reserve account and the balance (after providing for dividend Rs.10,147,959 and dividend tax Rs.1,724,646) has been retained in the profit and loss account. The total reserves and surplus as at the balance sheet date is Rs.6,460,423,867 as compared to Rs. 6,350,087,514 at the end of fiscal 2009.

3. Fixed Assets

During the year, we added Rs.51,395,462 to our gross block of assets .

(in Rs.)

Particulars	31-Mar-10	31-Mar-09
Land & site development	46,171,392	46,171,392
Building Developments - Owned	142,767,425	142,767,425
Building Interiors & Fixtures - Leasehold	309,384,040	274,671,906
Furniture	58,504,204	58,559,396
Computers and Software	486,953,161	473,727,963
Office Equipment	97,962,805	98,167,909
Vehicles	15,868,268	20,541,981
Air conditioning	60,538,136	57,538,136
Library Books	40,136	40,136
Total	1,218,189,567	1,172,186,244
Less: accumulated depreciation	277,080,129	144,347,190
Net block	941,109,438	1,027,839,054
Add: capital work-in-progress	605,423,150	799,764,251
Net fixed assets	1,546,532,588	1,827,603,304
Depreciation for the year	133,474,992	112,440,771
Depreciation as % of revenues	26.14%	6.52%
Depreciation as % of average gross block *	11.39%	9.99%
Accumulated depreciation as % of gross block *	23.64%	12.82%

* Excluding land & site development

4. Investments

During the year the company made an investment in liquid mutual funds of Rs.Nil as against previous year of Rs.Nil. The total outstanding investments at the end of the year has increased to the extent of Rs.1,128,275,883. The total trade investments stand at Rs. 3,881,755,449 which are our long-term investments in wholly owned subsidiary companies and joint-venture company, viz. 250,000 equity shares of Rs. 10 each in Mufithumb Entertainment Pvt Ltd, 1,000 equity shares of GBP 1 each in Tanla Solutions (UK) Ltd, 750,001 ordinary shares of SGD1 each and 124,651,643 preference shares of SGD1 each in Tanla Mobile Asia Pacific Pte. Ltd., 1,000,000 equity shares of Rs.10 each in Tanla Mobile Private Limited and 680,900 equity shares of Rs.10 each in TZ Mobile Private Limited. The details of investments are as under;

Particulars	Value as at 31-03-2010	Value as at 31-03-2009
Trade (unquoted) - at cost		
Tanla Solutions (UK) Limited	25,200,000	25,200,000
MufiThumb Entertainment Pvt Ltd	7,174,000	7,174,000
Tanla Mobile Asia Pacific Pte. Ltd	3,832,572,449	2,721,105,566
TZ Mobile Pvt Ltd	6,809,000	-
Tanla Mobile Pvt Ltd	10,000,000	-
Total	3,881,755,449	2,753,479,566

Tanla Solutions (UK) Limited, the wholly owned subsidiary of Tanla Solutions Limited achieved in fiscal 2010 a consolidated turnover (consolidated with its wholly owned subsidiaries Tanla Mobile Limited & Tanla Mobile Spain SL) of GBP 12,110,938 as compared to GBP 23,780,104 in fiscal 2009 and recorded profit/(loss) after tax of GBP (362,632).

Tanla Mobile Limited, the wholly owned subsidiary of Tanla Solutions (UK) Limited achieved in fiscal 2010 a turnover of GBP 9,987,669 and recorded profit/(loss) after tax of GBP (70,868).

MufiThumb Entertainment Pvt Ltd, in fiscal 2010, had nil turnover and recorded net profit/(loss) of Rs. 17,361

Tanla Mobile Asia Pacific Pte Ltd, Singapore, the wholly owned subsidiary of Tanla Solutions Limited achieved in fiscal 2010 a consolidated turnover (consolidated with its wholly owned subsidiaries Tanla Mobile Ireland Pvt Limited, Tanla Mobile Middle East FZ LLC, Tanla Mobile Inc., Tanla Mobile South Africa (Pty) Ltd, Tanla Mobile Malaysia Sdn Bhd and Tanla South Asia Pvt Ltd) of SGD 69,004,590 and profit after tax of SGD 5,150,409.

Tanla Mobile Ireland Pvt Limited, the wholly owned subsidiary of Tanla Mobile Asia Pacific Pte Ltd achieved in fiscal 2010 a turnover of Euro 21,088,129 and profit/(loss) after tax of Euro (99,417)

Tanla Mobile Middle East FZ LLC, the wholly owned subsidiary of Tanla Mobile Asia Pacific Pte Ltd (consolidated with its subsidiary Tanla Mobile Finland Oy) achieved in fiscal 2010 a turnover of USD 43,703,400 and profit after tax of USD 8,664,535

Tanla Mobile Inc., the wholly owned subsidiary of Tanla Mobile Asia Pacific Pte Ltd achieved in fiscal 2010 a turnover of USD Nil and net profit/(loss) of USD (109,847)

Tanla Oy, the wholly owned subsidiary of Tanla Mobile Finland Oy achieved in fiscal 2010 a turnover of Euro 15,281,353 and profit after tax of Euro 434,163

Tanla Mobile South Asia Pvt Ltd, the wholly owned subsidiary of Tanla Mobile Asia Pacific Pte Ltd achieved in fiscal 2010 a turnover of SLR 700,000 and net profit/(loss) of SLR (817,412).

Tanla Mobile South Africa Pty Ltd, the wholly owned subsidiary of Tanla Mobile Asia Pacific Pte Ltd achieved in fiscal 2010 a turnover of ZAR 4,136,857 and net profit/(loss) of ZAR (947,178)

Tanla Mobile Pvt Ltd, the wholly owned subsidiary of Tanla Solutions Ltd achieved in fiscal 2010 a turnover of Rs. 236,289,331 and net profit/(loss) after tax of Rs. 106,966,818.

5. Sundry Debtors

Sundry debtors, considered good and realizable as of March 31, 2010 amount to Rs.422,223,743 as against Rs. 547,471,979 as of March 31, 2009. The period of credit to our debtors is 120 days. 30.52% of the outstanding debtors as of March 31, 2010 are aging below 120 days.

(in Rs.)

Particulars	Value as at 31-03-2010		Value as at 31-03-2009	
Period in Days	In Rs.	% of debtors	In Rs.	% of debtors
0 - 30	11,635,915	2.76%	10,827,365	1.98%
31- 60	9,718,556	2.30%	12,526,537	2.29%
61- 90	16,884,383	4.00%	13,437,364	2.45%
91-120	90,606,681	21.46%	371,473,648	67.85%
121-180	79,906,993	18.93%	104,333,419	19.06%
More than 181	213,471,216	50.56%	34,873,646	6.37%
Total	422,223,743	100.00%	547,471,979	100.00%

6. Cash & Bank Balances

Cash and bank balances have decreased by Rs.516,646,210 to Rs.382,245,839 as on March 31, 2010.

Cash & Bank Balances

(in Rs.)

Particulars	31-Mar-10	31-Mar-09
Cash on hand	14,558	102,457
With scheduled banks:		
in current accounts **	372,285,875	325,609,370
in deposit accounts	9,945,406	573,180,222
TOTAL	382,245,839	898,892,050

** of the above Rs.155,959,294 are kept in EEFC account for hedging against currency fluctuation and providing the company with ready foreign currency for expansion.

7. Loans & Advances

Loans and advances have decreased as on March 31, 2010 to Rs.569,619,807 from Rs.818,731,593 as on March 31, 2009

(in Rs.)

Loans & Advances	31-Mar-10	31-Mar-09
Advances for rendering services	61,272,102	49,854,723
Deposits with others	52,887,250	34,706,974
Loans to Subsidiaries	189,300,876	457,953,206
Service tax input credit	15,000,000	-
Advance income tax & TDS	251,159,580	276,216,690
TOTAL	569,619,807	818,731,593

8. Current Liabilities & Provisions

Current Liabilities include Sundry creditors, other liabilities and unclaimed dividend. Sundry creditors for services and expenses include payables for transport services, IP leased line charges, office security charges, rent and electricity charges and audit fees payables. Provisions include provisions for income tax, proposed dividend and dividend tax. Current liabilities & provisions have decreased by Rs.133,909,710 to Rs.270,756,359 as of March 31, 2010.

(in Rs.)

Current Liabilities	31-Mar-10	31-Mar-09
Sundry creditors for services and expenses	14,844,197	78,217,808
Other liabilities	8,428,027	10,303,114
Unclaimed dividend	1,027,120	682,325
Provisions		
Provision for income tax	234,584,410	256,965,323
Proposed dividend	10,147,959	50,000,000
Tax on dividend	1,724,646	8,497,500
Total	270,756,359	404,666,070

B. Results of Operations

1. Total Income

i) Sales for the fiscal year 2010 were down by Rs.1,213,279,595 (70%) to Rs.510,554,953 for fiscal 2010 (Rs. 1,723,834,549 for fiscal 2009).

(in Rs.)

	31-Mar-10		31-Mar-09	
Period in Days	In Rs.	% of sales	In Rs.	% of sales
Overseas	465,737,774	91%	1,547,154,783	90%
Domestic - India	44,817,179	9%	176,679,766	10%
	510,554,953	100%	1,723,834,549	100%

ii) Other income for the fiscal 2010 was down by Rs.5,712,099 (8%) to Rs.66,836,431 as compared to Rs. 72,548,530 in fiscal 2009. The decrease in other income is mainly due to decrease in dividends from mutual funds by Rs.31,369,656 which was offset by interest received from subsidiaries and others.

(in Rs.)

Particulars	31-Mar-10	31-Mar-09
Interest received from banks	2,875,081	8,742,915
Interest received from subsidiary companies & others	58,597,651	23,938,146
Dividend received from mutual funds	-	31,369,656
Profit on Sale of Assets	-	8,497,813
Misc Income	5,363,699	-
TOTAL	66,836,431	72,548,530

2. Expenditure

(in Rs.)

	31-Mar-10		31-Mar-09	
Particulars	In Rs.	%	In Rs.	%
Gross Sales	510,554,953	-	1,723,834,549	-
Cost of sales	169,668,587	33.23%	422,542,119	24.51%
Selling & marketing expenses	55,135,795	10.80%	104,437,366	6.06%
Operating & administrative expenses	176,424,459	34.56%	205,719,021	11.93%
Operating profit before depreciation	109,326,111	21.41%	991,136,043	57.50%
Depreciation & amortization	181,496,395	35.55%	160,462,174	9.31%
Operating profit after depreciation	(72,170,283)	-14.14%	830,673,869	48.19%
Other income	66,836,431	13.09%	72,548,530	4.21%
Net profit before tax	(5,333,852)	-1.04%	903,222,399	52.40%
Tax expense on the above (incl. FBT & deferred tax)	(37,983,035)	-7.44%	170,397,201	9.88%
Net profit after tax	32,649,183	6.39%	732,825,198	42.51%

i) Cost of Sales

Cost of Sales has decreased by Rs.252,873,532 to Rs.169,698,587 (33.23% of sales) in fiscal 2009 compared to Rs. 422,542,119 in fiscal 2009 (24.51% of sales) and includes cost of services, staff costs, traveling expenses, communication expenses, and operations and delivery infrastructure expenses. Percentage of cost of sales has been increased due to marginal increase in costs.

(in Rs.)

Particulars	31-Mar-10	%	31-Mar-09	%
Cost of services	97,811,378	57.65%	158,798,572	37.58%
Staff salaries & benefits	45,675,684	26.92%	174,686,946	41.34%
Travelling expenses	6,044,526	3.56%	14,724,611	3.48%
Communication expenses	3,915,706	2.31%	7,558,368	1.79%
Repairs & maintenance expenses	3,862,962	2.28%	7,865,209	1.86%
Rent, rates & taxes	6,162,242	3.63%	45,987,550	10.88%
Printing & stationery	603,055	0.36%	1,272,750	0.30%
Office maintenance expenses	976,610	0.58%	3,955,241	0.94%
Power & fuel	3,321,036	1.96%	6,605,554	1.56%
General expenses	1,295,389	0.76%	1,087,318	0.26%
TOTAL	169,668,587	100.00%	422,542,119	100.00%

ii) Selling & Marketing Expenses

Selling & Marketing Expenses were Rs.55,135,795 (10.80% of sales) for fiscal 2010 as compared to Rs. 104,437,366 (6.06% of sales) in fiscal 2009. They include employee costs, traveling and communication expenses, brand building and other promotional expenses, and other advertising department expenses. The increase in selling and marketing expenses is due to lower level of operations.

(in Rs.)

Particulars	31-Mar-10	%	31-Mar-09	%
Staff salaries & benefits	36,540,547	66.27%	75,783,308	72.56%
Travelling expenses	1,727,007	3.13%	4,207,032	4.03%
Communication expenses	783,141	1.42%	1,511,674	1.45%
Repairs & maintenance expenses	2,704,073	4.90%	983,151	0.94%
Rent, rates & taxes	2,662,088	4.83%	14,089,803	13.49%
Printing & stationery	753,819	1.37%	1,590,938	1.52%
Business promotion and advertisement	8,530,141	15.47%	3,908,263	3.74%
Office maintenance expenses	195,322	0.35%	791,048	0.76%
Power & fuel	462,423	0.84%	919,761	0.88%
General expenses	777,234	1.41%	652,391	0.62%
TOTAL	55,135,795	100.00%	104,437,366	100.00%

iii) General & Administrative Expenses

General & Administrative Expenses were Rs.176,424,459 (34.56% of sales) in fiscal 2010 as compared to Rs. 205,719,021 (11.93% of sales) in fiscal 2009. There has been increase in the exchange fluctuation proportionate to sales due to depreciation of GBP against the Indian Rupee.

(in Rs.)

Particulars	31-Mar-10	%	31-Mar-09	%
Staff salaries & benefits	9,135,137	5.18%	6,422,314	3.12%
Travelling expenses	863,504	0.49%	2,103,516	1.02%
Communication expenses	522,094	0.30%	1,007,782	0.49%
Repairs & maintenance expenses	1,158,888	0.66%	983,151	0.48%
Rent, rates & taxes	3,500,153	1.98%	5,153,215	2.50%
Printing & stationery	150,764	0.09%	318,188	0.15%
Advertisement expenses	6,979,206	3.96%	3,908,263	1.90%
Office maintenance expenses	130,215	0.07%	527,365	0.26%
Power & fuel	420,384	0.24%	836,146	0.41%
General expenses	518,156	0.29%	1,566,860	0.76%
Professional charges	8,933,640	5.06%	5,830,862	2.83%
R&D Expenses	7,880,320	4.47%	10,436,437	5.07%
Auditors Remuneration	1,000,000	0.57%	1,000,000	0.49%
Finance & bank charges	418,520	0.24%	2,128,852	1.03%
Bad Debts written off	941,112	0.53%	-	-
Loss on Sale of Assets	2,299,889	1.30%	-	-
Exchange fluctuation	131,572,478	74.58%	163,496,070	79.48%
TOTAL	176,424,459	100.00%	205,719,021	100.00%

3. Operating Profits

Operating profit (EBIDTA) is Rs.109,326,111 (21.41% of sales) in the fiscal 2010 as compared to Rs.991,136,043 (57.50% of sales) in the fiscal 2009. Decrease in EBIDTA margins are due to lower sales on account of global economic slowdown and exchange fluctuations.

4. Depreciation and Amortization

Depreciation and amortization in fiscal 2010 was Rs.181,496,395 (35.55% of sales) as compared to Rs.160,462,174 (9.31% of sales) in fiscal 2009.

5. Provision for Taxation

Provision for current tax liability in fiscal 2010 was Rs. Nil as compared to Rs.102,335,098 (5.94% of sales) in fiscal 2009.

6. Profits after Tax

Profit after Tax in fiscal 2010 was down by Rs.700,176,015 to Rs. 32,649,183 (5.65% of total income) as compared to Rs. 732,825,198 (40.79% of total income) in fiscal 2009.

7. Related party transactions

These have been discussed in the detailed notes to the Indian GAAP financial statements

(in Rs.)

Particulars	Tanla Solutions (UK) Limited - UK	MufiThumb Entertainment Pvt. Ltd.	Tanla Mobile Limited - UK	Tanla Mobile Asia Pacific Pte Ltd – Singapore	Tanla Mobile Ireland Pvt Ltd -Ireland	Tanla Mobile Middle East FZ LLC - Dubai	Tanla Oy Finland	Tanla Mobile Private Limited	TZ mobile Pvt Ltd
a Relationship between the parties	Wholly-owned subsidiary	Wholly-owned subsidiary	Wholly-owned subsidiary of Tanla Solutions (UK) LTD	Wholly-owned subsidiary	Wholly-owned subsidiary of Tanla Mobile Asia Pacific Pte. Ltd.	Wholly-owned subsidiary of Tanla Mobile Asia Pacific Pte. Ltd.	Wholly-owned subsidiary of Tanla Mobile Finland Oy	Wholly-owned subsidiary	Joint Venture with ZED WORLDWIDE HOLDINGS, S.L., Spain
b Nature of transactions	Principal repayment received, Interest receivable & Advance	Advance	Advance	Reimbursement of expenses	Advance	Sales of Services & Reimbursement of expenses	Sales of Products, Services	Reimbursement of expenses	Sales of Products, Services & Reimbursement of expenses
c Value of transactions	(273,879,103)	-	-	-	-	-	58,217,735	28,734,725	1,690,885
d Amount of outstanding	173,796,726	(3,509,565)	(36,028,968)	692,825	(15,395,425)	4,556,355	54,468,745	532,667	(282,992)
e Provision for doubtful debts	-	-	-	-	-	-	-	-	-
f Amount written off	-	-	-	-	-	-	-	-	-

8. Cash Flow Comparison

Cash and cash equivalents were Rs.382,245,839 at the end of fiscal year 2010, as compared to Rs. 898,892,050 at the end of fiscal year 2009.

(in Rs.)

Particulars	Fiscal 2010	Fiscal 2009
Net cash flow from operations	366,535,553	838,400,139
Net cash flow from investing activities	(915,723,632)	(621,579,856)
Net cash flow from financing activities	32,541,868	(140,394,000)
Net increase / (decrease) in cash and cash equivalents	(516,646,211)	76,426,283
Cash and cash equivalents at the beginning of the year	898,892,050	822,465,768
Cash and cash equivalents at the end of the year	382,245,839	898,892,050

Net cash flow from operations

Our net cash flow from operations was lower in FY 2010 principally due to the scaled down operations and the consequent decrease in sales. Net Working Capital (herein defined as current assets minus current liabilities) was Rs.1,135,078,700 at the end of fiscal year 2010, as compared to Rs. 1,860,429,552 at the end of fiscal year 2009. Working capital movements included a decrease in trade receivables from fiscal year 2009 to fiscal year 2010 of Rs.107,811,038, decrease in loans & advances of Rs.251,911,786 and a decrease in trade payables of Rs.64,903,903.

The company has never borrowed funds for its working capital requirements.

Net cash flow from investing activities

We had a higher net cash out flow from investing activities in FY 2010, compared to net outflow in FY 2009, principally due to investments in subsidiary companies which was partially offset by realization of advances given for capital works Rs. 142,945,639.

9. Statement of FPO proceeds & utilization

During the fiscal year 2007, the company had raised an amount of Rs.420.95 crores from the follow on public offer (FPO) of equity shares. The details of funds received and utilization are as follows:

(in Rs.)

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
Amount raised through FPO / Op . Bal	4,209,525,000	4,209,525,000
Issue expenses paid	193,348,658	193,348,658
Net Proceeds	4,016,176,342	4,016,176,342
Setting up Infrastructure Facilities for Development Centre at Hyderabad / Backup / Disaster Recovery Centre at Bangalore	241,500,000	600,000,000
Establishing Overseas Marketing Offices	40,601,500	40,601,500
Expansion & Up-gradation of Existing Research & Product Development Facilities	220,249,501	220,249,501
Fund regional / Global expansion and acquisition of strategic business	199,999,504	199,999,504
Meet working capital requirements	284,479,608	284,479,608
Contingencies	-	-
General Corporate purposes	3,029,346,229	2,186,925,009
Net Utilisation	4,016,176,342	3,532,255,122
Balance of funds unutilised	-	483,921,220
Invested in:		
Investments in fixed deposits	-	483,921,220
Investments in short term mutual funds	-	-
Balance in bank accounts	-	-

Setting up of Infrastructure Facilities:

Amount paid for development facility at Vattinagula Palli, R.R. Dist, Hyderabad.

Expansion & Up-gradation of R & D Facilities

Computer software & hardware purchased to support research & development of products and expansion of operations.

Regional / Global expansion

Amount invested in subsidiary companies for global expansion.

General Corporate purposes

Includes Rs. 1432.62 MN invested in subsidiary companies, Rs. 415.18 MN to Tanla Solutions (UK) Ltd towards working capital requirements, Rs. 238.15 MN for development of new facilities, Rs. 943.40 MN used for working capital requirements.

Notice of 14th Annual General Meeting

NOTICE is hereby given that the Fourteenth Annual General Meeting of the members of TANLA SOLUTIONS LIMITED, Hyderabad, will be held on Thursday September 30 2010 at 10.30 A.M, at the Registered Office: Tanla Technology Centre, Hi-Tech City Road, Madhapur, Hyderabad – 500 081 to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 2010 and the Profit & Loss Account for the financial year ended on that date together with the Reports of Directors' and Auditors' thereon.
2. To declare a Final Dividend of Re.0.10 per Equity Share of face value Re.1/- each for the financial year ended on March 31 2010.
3. To appoint a Director in place of Mr. Abhishek Khaitan, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. S.S. Jamuar, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Padmabhushan Ram Narain Agarwal, who retires by rotation and being eligible offers himself for re-appointment.
6. To re-appoint M/s. Ramasamy Koteswara Rao & Co., Chartered Accountants, Hyderabad, as the Statutory Auditors of the Company. To consider and if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution:
"RESOLVED THAT M/s. Ramasamy Koteswara Rao & Co., Chartered Accountants be and are hereby re-appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting at such remuneration as may be determined by the Board of Directors of the Company."

Special Business

7. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:-
"RESOLVED THAT, pursuant to section 198, 269, 309, 310 and other applicable provisions of the Companies Act, 1956 ("the Act") read with Schedule XIII of the Act, the members hereby approve the re-appointment of Mr. D. Uday Kumar Reddy as Chairman & Managing Director of the Company for a further period of 5 years with effect from 15th May 2010, at a remuneration of Rs. 48 Lakhs per annum for a period of three years, including other benefits/allowances/perquisites payable, as approved by Remuneration Committee".
"RESOLVED FURTHER THAT, Mr. D. Uday Kumar Reddy, would be eligible for the following perks as approved by the Remuneration Committee from time to time within the limits specified under Sections 198, 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or re-enactments thereof:
 1. Contribution to Provident Fund, Superannuation Fund or Annuity Fund as per Company Rules
 2. Gratuity payable at a rate not exceeding half-a-month's salary for each completed year of service
 3. Encashment of leave as per the Company's rules at the end of tenure"
 "RESOLVED FURTHER THAT, Remuneration Committee is authorized to review and fix monthly salary and also to determine performance linked incentives including commission, either on quarterly, half yearly or yearly basis, considering the maximum remuneration payable under provision of Sec 198 and Schedule XIII of the Companies Act, 1956."
"RESOLVED FURTHER THAT, for the purposes of giving effect to the re- appointment, the Company Secretary of the Company be and is hereby authorized on behalf of the Company to do all such acts, deeds, matters and things as may be deemed or considered necessary or desirable for such purpose."
8. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:
"RESOLVED THAT, pursuant to the provisions of Sections 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 ("the Act") read with Schedule XIII of the Act, the members hereby approve the re-appointment of Mr. Gautam Sabharwal, as Whole –Time Director designated as Director-Global Business Development, for a further period of 5 years with effect from January 28, 2010, subject to retire by rotation, without remuneration.

RESOLVED FURTHER THAT for the purposes of giving effect to the re- appointment, the Company Secretary of the Company be and is hereby authorized on behalf of the Company to do all such acts, deeds, matters and things as may be deemed or considered necessary or desirable for such purpose."

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

"RESOLVED THAT, pursuant to section 198,269, 309, 310 and other applicable provisions of the Companies Act, 1956 ("the Act") read with Schedule XIII of the Act, the members hereby approve the re-appointment of Mr. Amit Gupta as Whole-Time Director designated as Director- Finance of the Company, subject to retire by rotation, for a further period of 5 years with effect from April 01, 2010 at a remuneration of Rs. 30 Lakhs per annum, for a period of three years, including other allowances/perquisites payable, as approved by remuneration committee."

RESOLVED FURTHER THAT, Remuneration Committee is authorized to review and fix monthly salary and also to determine performance linked incentives including commission, either on quarterly, half yearly or yearly basis, considering the maximum remuneration payable under provision of Sec 198 and Schedule XIII of the Companies Act, 1956.

"RESOLVED FURTHER THAT, Mr. Amit Gupta, would be eligible for the following perks as approved by the Remuneration Committee from time to time within the limits specified under Sections 198,269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s) or re-enactments thereof:

1. Contribution to Provident Fund, Superannuation Fund or Annuity Fund as per Company Rules
2. Gratuity payable at a rate not exceeding half-a-month's salary for each completed year of service
3. Encashment of leave as per the Company's rules at the end of tenure"

RESOLVED FURTHER THAT, for the purposes of giving effect to the re- appointment, the Company Secretary of the Company be and is hereby authorized on behalf of the Company to do all such acts, deeds, matters and things as may be deemed or considered necessary or desirable for such purpose."

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

"RESOLVED THAT, pursuant to section 198,269, 309, 310 and other applicable provisions of the Companies Act, 1956 ("the Act") read with Schedule XIII of the Act, the Company hereby approves the re-designation of Mr. Navnit Chachan as Director – Engineering & Technology with effect from April 01 2010 and re-appointment as a Whole time Director, subject to retire by rotation, without remuneration for a further period of 5 years with effect from May 01, 2010"

RESOLVED FURTHER THAT, for the purposes of giving effect to the re- appointment, the Company Secretary of the Company be and is hereby authorized on behalf of the Company to do all such acts, deeds, matters and things as may be deemed or considered necessary or desirable for such purpose."

Place: Hyderabad
Date: September 05, 2010

By Order of the Board of Directors
For Tanla Solutions Limited

Registered Office:

Tanla Technology Centre,
Tanla Technology Centre,
Hitech City Road,
Madhapur, Hyderabad – 500 081

Sd/-
Ch. Seshanuradha

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The instrument appointing proxy in order to be effective must be deposited at the registered office of the Company not less than 48 hours before commencement of the 14th Annual General Meeting of the Company.
3. An Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 is enclosed herewith.
4. The register of members and share transfer books of the Company shall remain closed from 25th September 2010 to 30th September 2010 (both days inclusive) for the purpose of Annual General Meeting and payment of Dividend.
5. Corporate members intending to send their authorized representatives to attend the meeting are requested to send a certified copy of the board resolution authorizing their representative to attend and vote on their behalf at the meeting.
6. Members desirous of asking any questions at the Annual General Meeting are requested to send in their questions so as to reach the Company's registered office at least 7 days before the Annual General Meeting so that the same can be suitably replied to.
7. Members / proxies are requested to bring their attendance slip along with their copy of annual report to the meeting.

By Order of the Board of Directors

Ch. Seshanuradha

Company Secretary

Place: Hyderabad

Date: September 05, 2010

Registered Office:

Tanla Technology Centre,
Hitech City Road, Madhapur,
Hyderabad – 500 081

Explanatory Statements Pursuant to Section 173(2) of the Companies Act, 1956:

Brief Profile of Directors seeking appointment/re-appointment.

Item No: 7

Mr. D. Uday Kumar Reddy was appointed as Chairman & Managing Director on June 01 2005 for a period of 5 years. The Board of Directors in its meeting held on May 14 2010, has subject to the approval of the Members approval, re-appointed Mr. D. Uday Kumar Reddy, as the Chairman & Managing Director for a period of 5 years from May 15 2010 at a annual remuneration of Rs.48 Lakhs including other allowances/perquisites and benefits.

The Remuneration Committee shall be authorized to review and fix monthly salary and also determine performance linked incentives including commission, either on quarterly, half-yearly or yearly basis.

Part III of Schedule XIII of the Companies Act, 1956 provides that the appointment of Whole Time Director/Managing Director in accordance with Part I of the Schedule, shall be subject to the approval of the Shareholders.

Your Directors recommend that the said resolution may be passed as an Ordinary resolution.

None of the Directors except Mr. D. Uday Kumar Reddy is interested or concerned in the said resolution.

None of the Directors are related inter-se.

Item No: 8

The present term of Mr. Gautam Sabharwal expired on January 27 2010, The Board of Directors through a resolution passed by circulation on January 27 2010 appointed Mr. Gautam Sabharwal, as a Whole time Director designated as Director- Global Business Development for a further period of 5 years, with effect from January 28 2010, liable to retire by rotation, without any remuneration.

Part III of Schedule XIII of the Companies Act, 1956 provides that the appointment of Whole Time Director/Managing Director in accordance with Part I of the Schedule shall be subject to the approval of the Shareholders.

Your Directors recommend that the resolution may be passed as an Ordinary resolution.

None of the Directors except Mr. Gautam Sabharwal is interested or concerned in the said resolution.

None of the Directors are related inter-se.

Item No: 9

The present term of appointment of Mr. Amit Gupta, Director- Finance, expires on September 10 2010. The Board of Directors in its meeting held on May 14 2010, has subject to the approval of the Members approval, re-appointed Mr. Amit Gupta for a period of 5 years from April 01 2010 at an annual remuneration of Rs.30 Lakhs, including other allowances/perquisites and benefits.

The Remuneration Committee shall be authorized to review and fix monthly salary and also determine performance linked incentives including commission, either on quarterly, half-yearly or yearly basis.

Part III of Schedule XIII of the Companies Act, 1956 provides that the appointment of Whole Time Director/Managing Director in accordance with Part I of the Schedule, shall be subject to the approval of the Shareholders.

Your Directors recommend that the resolution may be passed as an Ordinary resolution.

None of the Directors except Mr. Amit Gupta is interested or concerned in the said resolution.

None of the Directors are related inter-se.

Item No: 10

The present term of Mr. Navnit Chachan expires on September 01 2010, The Board of Directors in its meeting held on May 14 2010, re-appointed Mr. Navnit Chachan, as a Whole time Director for a further period of 5 years, with effect from May 01 2010, and re-designated Mr. Navnit Chachan as Director- Engineering & Technology with effect from April 01 2010, liable to retire by rotation, at no remuneration.

Part III of Schedule XIII of the Companies Act, 1956 provides that the appointment of Whole Time Director/Managing Director in accordance with Part I of the Schedule shall be subject to the approval of the Shareholders.

Your Directors recommend that the resolution may be passed as an Ordinary resolution.

None of the Directors except Mr. Navnit Chachan is interested or concerned in the said resolution.

None of the Directors are related inter-se.

By Order of the Board of Directors
Sd/-

Place: Hyderabad

Date: September 05, 2010

Ch. Seshanuradha
Company Secretary

Registered Office:

Tanla Technology Centre, Hitech City Road, Madhapur, Hyderabad – 500 081

Brief Profile of Directors to be re-appointed

Name of the Director	Date of Birth	Expertise in Specific Functional Areas	Qualification	Directorships in other Companies/ Organizations	No. of shares held by the Directors
Mr. Abhishek Khaitan	19-Aug-69	A solicitor by profession, he has represented companies in India and England. He is currently enrolled as a solicitor in The Bower Cotton Khaitan Solicitors, London	LLB (Hons.)	Tanla Solutions (UK) Limited Tanla Mobile Limited	Nil
Mr. S.S. Jamuar	27-Nov-49	He worked in various capacities in IIT Delhi, Kanpur and Hindustan Aeronautics Ltd. Lucknow. Presently he is a Professor in University Putra, Malaysia. He has many patents registered in this name.	Doctorate in Study of Tracking Filter FM Modulation & M. Tech from IIT Kanpur	Nil	Nil
Padmabhushan Ram Narain Agarwal	24-Jul-41	Program Director – Missile Agni	Master Degree in Engineering from Aero-Indian Institute of Science, Bangalore	Agni Renewable Energies Ltd.	2,698
Mr. D. Uday Kumar Reddy	03-Mar-67	Focus on innovation and the urge to set new milestones in business and technology have been the key drivers of the Company's success. significantly active in the M&A community, and has been leading discussions across the globe regarding potential alliances and M&A opportunities	MBA from University of Manchester, UK	Mr. D. Uday Kumar Reddy holds Directorship only in 14 subsidiaries of Tanla Solutions Limited.	14,396,493
Mr. Gautam Sabharwal	07-Jan-72	He had earlier worked with such companies as Infonetics Research and Virtual Plus, and was responsible for worldwide marketing, sales, business development and customer operations. His past experience also includes several years of managing successful businesses in the emerging telecom services markets of Europe.	MBA from Westminster Business School, UK.	Mr. Gautam Sabharwal holds Directorship only in 14 subsidiaries of Tanla Solutions Limited.	7,316,600
Mr. Amit Gupta	09-May-73	He worked with Ernst & Young and KPMG, specializing in financial planning and IT-based consulting services for Global 2000 companies.	B. Tech – IIT, Delhi	Tanla Oy, Tanla Mobile Finalnd Oy, Tanla Mobile Asia Pacific Pte Ltd.	1,541,280
Mr. Navnit Chachan	13-Feb-73	Worked for Reliance Industries, was part of the executive group responsible for operational planning, troubleshooting, and executive reporting. He has also been responsible for research and new product development.	B. Tech – IIT, Delhi	Nil	1,291,320

[illegible]

