Software as a Service

4S FOUR SOFT
Internet Solutions for Logistics

ANNUAL REPORT

"Driving Logistics that Drives the World"

Driving Logistics that Drives the World

Air Freight

Warehousing

Road Freight

Sea Freight

Mobile Application

Accounting

Visibility

Customs

CONTENTS

Board of Directors

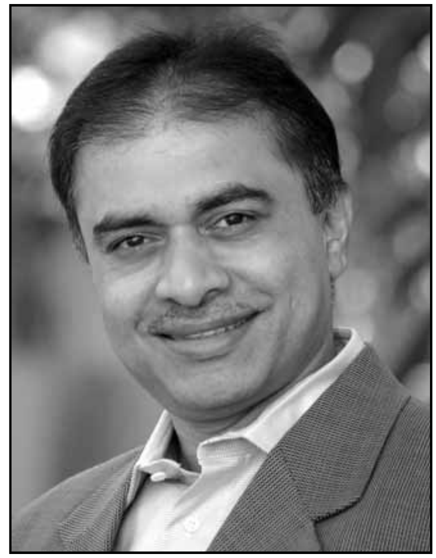
Mr. Palem Srikanth Reddy	Chairman and Managing Director
Mr. K.V. Ramakrishna	Non-Executive and Nominee Director
Mr. Srinivas Prasad	Independent Director
Dr. T.R.Sivaramakrishnan	Independent Director
Mr. Mohan Krishna Reddy	Independent Director
Prof. Janat Shah	Independent Director
Mrs. Soujanya Reddy	Non-Executive Director
Registered Office	Four Soft Limited 5Q1 A3, 5th floor, Cyber Towers, Hitec City, Madhapur, Hyderabad - 500 081, A.P India www.four-soft.com
Company Secretary and Compliance Officer	Mr. A. Sridhar
Statutory Auditors	M/s. Walker, Chandiok & Co. Chartered Accountants
Internal Auditors	M/s. Laxminiwas Neeth & Co. Chartered Accountants
Bankers	The Hong Kong Shanghai Banking Corporation Ltd. Citibank N.A Kotak Mahindra Bank Ltd. Punjab National Bank (International) Limited, UK
Registration & Share Transfer Agents	Karvy Computershare Private Limited Plot No. 17 to 24, Vittal Rao Nagar, Madhapur, Hyderabad - 500 081.

Management Team

Function	Name
Corporate	
Chief Operating Officer and Chief Financial Officer	Mr. Biju S Nair
Chief Technology Officer	Mr. Soubhik Ghosh
Sr. Vice President - Product Management and Marketing	Mr. Rakesh Kumar Munigala
Region Heads	
Europe	Mr. Johnny Hanber. Thøgersen
Americas	Mr. Krishna Rallabhandi
India, APAC and Middle-East	Mr. BalaKrishna M.V
Other Functions	
Vice President - Technology	Mr. Mahaboob Hussain
Vice President - Customer Service and Implementation	Mr. Amit Ranjan Gupta
Assistant Vice President - Human Resources & Administration	Mr. Partha P Patnaik
Assistant Vice President - Product Development	Mr. Anand Mandla
General Manager - Finance and Accounts	Mr. Nrupesh Kumar

Message from Chairman and Managing Director

Dear Shareholder,



We stand on the threshold of achieving the vision that we started out with in 1999 when your company began its journey. The year 2011-12 has been a significant year towards achieving that vision for more than one reason. Your company has arrested the slide in revenues and profitability in the current year. The revenues have increased by 5% to ₹ 1,280.58 million and our profit after tax, excluding impairment of goodwill, has increased by 138% to ₹ 73.62 million. Our cash generation from operations has increased by ₹ 68.43 million to ₹ 109.54 million, an increase of 166%. We have taken a few tough decisions during the year to re-organize and re-align our departments to achieve better productivity, quality and efficiency as any successful software product company should. We have a robust order book and a promising pipeline as I write this message to you.

During the year, we closed 9 deals across Europe, Americas and Asia Pacific. Tough economic conditions in Europe and the USA have pushed our potential deal closures to 2012-13 as customers defer decision making. We have signed a trial agreement with one of the largest American multinational direct-marketing company on Software as a Service (SaaS) model. The deal demonstrates our ability to engage large organizations and establishes the competitiveness and scalability of our next generation products.

Revenues from customization and other services have improved by 11% during the year, primarily on account of additional revenues from two of the largest logistics services company in the world. Our strategy of continuous emphasis on adding value to customers through high quality domain consulting and support services will continue to pay dividends in the coming years too from large and SME customers alike.

Ongoing implementation of our products is on track and we expect to complete these projects in 2012-13. On completion, your company's products will find better and wider acceptance from potential customers.

In the coming year, your company has drawn up sustainable growth strategies with focus on enhancing shareholder value.

Your company's SaaS portfolio is gaining traction in logistics and supply chain verticals as we offer cost effective competitive pricing. Your company will continue to invest in and promote SaaS in the future. Your company's competitive position will be further enhanced as it is the only company which can offer licensed and SaaS models combined with customization and maintenance as per customers' requirement.

Investments in research and development to enhance the quality of your company's products and make them functionality rich will continue, to ensure that your company stays ahead of competition. Your company will expand its focus to the shipper/ manufacturer industry, offering products which have already been accepted by few customers.

With integrated products offering, end-to-end business process solutions complete with customs compliances, your company is poised to take advantage as the supply chain management industry is moving towards integration to gain economies of scale, better visibility and lower risks.

On behalf of Management and staff in India and the regions, I would like to thank every shareholder of Four Soft Limited, for your continued commitment, support and confidence. Your company has dealt with and overcome adverse economic conditions better than most product companies did. I thank you for sharing my excitement as your company's journey to become the best software enterprise solution company serving the transportation, logistics and supply chain execution industry has already begun.

NOTICE

Notice is hereby given that the Thirteenth Annual General Meeting of Four Soft Limited will be held on Saturday, 29 September 2012 at the Chip Auditorium, Cyber Towers, Hitech City, Madhapur, Hyderabad, A.P at 10.00 a.m. to transact the following items of business:

Ordinary business:

1. To receive, consider, approve and adopt the audited Balance Sheet as at 31 March 2012 and Profit and Loss account for the year ended 31 March 2012 together with the Directors' Report and Auditors' Report thereon.
2. To appoint a director in place of Mr. Srinivas Prasad, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Dr. T. R. Sivaramakrishnan, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To consider and, if thought fit, to pass with or without modification, the following resolution as ordinary resolution.

"RESOLVED that M/s Walker Chandiok & Co, Chartered Accountants, Firm Registration No. 001076N, 7th Floor, Block III, White House, Kundanbagh, Begumpet, Hyderabad 500 016, India be and are hereby re-appointed as Statutory Auditors of the company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at remuneration to be fixed by the Board of Directors of the company."

Notes:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIM AND THE PROXY NEED NOT BE A MEMBER. THE PROXY FORM MUST BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
2. An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.
3. Corporate members intending to send their authorized representative to attend the meeting are requested to ensure that the authorized representative carries a certified copy of the Board resolution, Power of Attorney or such other valid authorizations, authorizing them to attend and vote on their behalf at the meeting.
4. The Register of members and the Share Transfer Registers of the company will remain closed from 23 September 2012 to 29 September 2012 (both days inclusive) in connection with the Annual General Meeting.
5. Members / Proxies are requested to bring their copies of Annual Report to the meeting and the attendance slip duly filled in for attending the meeting. Copies of Annual Report will not be provided at the meeting.
6. Members desirous of obtaining any information concerning the accounts and operations of the company are requested to send their queries to the company at least seven days before the date of the meeting, so that the information required by them may be made available at the meeting.
7. Shareholders holding shares in physical form are requested to advise any change of address immediately to the company's registrar and share transfer agents, Karvy Computershare Private Limited. Shareholders holding shares in electronic form must send the advice about change in address to their respective depository participants and not to the company.
8. Brief resume of Directors proposed to be appointed / re-appointed are enclosed as Annexure to this Notice as stipulated under Clause 49 of the Listing Agreement with the stock exchanges.
9. Members are requested to send all communication relating to shares to the company's Share Transfer Agents (physical and electronic) at the following address: Karvy Computershare Private Limited, Plot No.17 to 24, Vittal Rao Nagar, Madhapur, Hyderabad - 500 081, Phone Nos. 040-44655000, Fax No. 040-23420814, email: einward.ris@karvy.com

By order of the Board of Directors

Sd/-
A. Sridhar
Company Secretary

Place : Hyderabad
Date : 01 September 2012

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.

Item No. 4

The present Auditors M/s Walker, Chandiok & Co, Chartered Accountants, 7th Floor, Block III, White House, Kundanbagh, Begumpet, Hyderabad 500 016 (ICAI Registration No. 001076N) retire and have expressed their willingness to continue as Statutory Auditors of the company. Certificate has been obtained from them that re-appointment if made will be in accordance with the limits specified in Section 224 (1B) of the Companies Act, 1956.

Additional information:

Notes on directors seeking appointment/re-appointment as required under clause 49 of the Listing Agreement entered with Stock Exchanges:

Item No. 2 & 3

Brief particulars of directors seeking appointment/ re-appointment

Name of the Director	Dr. T. R. Sivaramakrishnan	Mr. Srinivas Prasad
Age, date of birth	50 years, 01 May 1962	50 years, 10 April 1962
Nationality	Indian	Indian
Date of appointment	06 February 2009	19 March 2009
Qualification	Dr. T. R. Sivaramakrishnan is an engineering graduate from IIT-Chennai. He has completed his MBA from IGNOU, Delhi and has obtained Ph.D in Business Administration from Redding University USA. He is also an associate member of Institute of Costs and Works Accountants of India.	Graduation
Shareholding in Four Soft Ltd as on 31 August 2012	Nil	Nil
Nature of expertise	He has more than 23 years of cross cultural experience in strategic planning, project management, business development and sourcing & procurement, sub-contracting, Finance and Project Management in Oil / Gas / Power / Energy /SCM/ IT Sectors. He is a keen strategist with expertise in managing entire business operations with key focus on growth and profitability by ensuring optimal utilization of resources. Prior to joining Four Soft Limited as a director, he was with Get Power Ltd as President - Development responsible for the profit & loss and business development activities of the company.	Mr. Srininvas Prasad is a successful entrepreneur having diverse business interests with primary focus in real estate investments.

Directorships in other Indian companies	Nil	Nil
Chairman / Member positions held in committees of other Indian companies	Nil	Nil
Relationship with other directors	None	None
Resolution No.	**Resolution no.3:** Your directors recommend the resolution for approval. Except Dr. T.R.Sivaramakrishnan, none of the other Directors of the company is in any way concerned or interested in the resolution.	**Resolution no.2:** Your directors recommend the resolution for approval. Except Mr. Srinivas Prasad, none of the other Directors of the company is in any way concerned or interested in the resolution.

By order of the Board of Directors

Sd/-
A. Sridhar
Company Secretary

Place : Hyderabad
Date : 01 September 2012

DIRECTORS' REPORT

To the Members,

Your Directors present to you the Thirteenth Annual Report of Four Soft Limited (hereinafter referred to as 'Four Soft' or 'the company') together with the audited statement of accounts for the year ended 31 March 2012.

1. Financial results

(₹ in million)

Particulars	For the year ended 31 March			
	Consolidated		Standalone	
	2012	2011	2012	2011
Total income	1,293.15	1,233.19	308.61	268.54
Total expenditure	1,136.39	1,130.21	373.90	341.71
Operating profit / (loss) (EBITDA)	**156.76**	**102.98**	**(65.29)**	**(73.17)**
Interest	23.82	17.75	0.30	0.99
Depreciation	18.63	17.84	11.76	10.40
Profit / (Loss) before tax	**114.31**	**67.39**	**(77.35)**	**(84.56)**
Current tax	52.71	36.28	-	-
Deferred tax expense / (benefit)	(12.02)	(33.91)	23.61	(27.31)
Profit after tax before exceptional items	**73.62**	**65.02**	**(100.96)**	**(57.25)**
Exceptional items	-	(34.08)	68.00	-
Profit after tax and exceptional items	**73.62**	**30.94**	**(32.96)**	**(57.25)**
Impairment of goodwill resulting on consolidation	(500.00)	-	-	-
Reported net profits / (loss) after tax	**(426.38)**	**30.94**	**(32.96)**	**(57.25)**
Basic and diluted earnings per share (in ₹)	(11.00)	0.80	(0.85)	(1.48)

2. Changes to share capital

During the year under review, there has been no change in the company's capital structure and the authorized share capital of the company stands at ₹350 million.

3. Dividend

In view of requirement of funds for various business expansion activities in future, the directors do not recommend dividend for the financial year 2011-12.

4. Reserves

There has been no transfer of funds to reserves during financial year 2011-12.

5. Business performance

Total income in financial year ended 31 March 2012, on a consolidated basis, is ₹1,293.15 million (2011: ₹ 1,233.19 million) and on a standalone basis is ₹ 308.61 million (2011: ₹ 268.54 million).

Your company made an operating profit of ₹156.76 million (2011: ₹ 102.98 million) on a consolidated basis. The operating loss on a standalone basis stands at ₹ 65.29 million (2011: ₹ 73.17 million). The profit for the year excluding impairment of goodwill is ₹ 73.62 million (2011: ₹ 30.94 million) on a consolidated basis. The loss for the financial year ended 31 March 2012 on standalone basis is ₹ 32.96 million (2011: ₹ 57.25 million).

Your company has grown by 5% during the year on a consolidated basis. During the year under review your company increased its client-base globally, built up a robust pipeline and progressed further on large implementations. Your company's vision is to become the Industry leader in transportation and logistics vertical and make significant headway in the supply chain/shippers market. By leveraging technology excellence, domain spread and expertise, your company continues to mine existing customers who contribute to more than 90% of revenues. On a consolidated basis the company has added assets worth ₹ 8.76 million (2011: ₹ 19.56 million) primarily consisting of computer hardware and software. The company also capitalized internally generated software of ₹ 35.09 million for development of customs based solution for different geographies during the year (2011: ₹ 25.29 million reported under capital work in progress).

Your company continues to focus on research and development and has incurred ₹ 76.58 million (2011: ₹ 79.17 million) during the year.

Your company is operating in the markets such as Europe and the United States which are currently facing economic uncertainties. However, your company's strong value creating product lines and sales efforts have resulted in closure of 9 contracts during the year in the European, American and Indian market. We see a definite trend in which our target market is shifting towards. Customers are increasingly leaning towards low capital expenditure model of Software as a Service (SaaS). Among the 9 contracts signed during the year, we have signed 5 SaaS contracts in American and Indian market.

The other promising and rewarding trend we have noticed is acceptance of our products by the shippers/manufacturers. Our visibility products 4S Visilog® and 4S Visilog Plus® are finding increased reception among our potential customers. We have already entered into a contract for our visibility products with one of the largest American multinational direct-marketing company on SaaS model. Our pipeline also includes significant number of prospects at different stages of contract finalization.

In addition to our sales efforts which have resulted in execution of new contracts, we also have increased our order book by more than ₹ 50 million by account mining of existing customers under implementation.

We have taken several initiatives for building a solid platform from which we can grow rapidly. Firstly, our managers have been provided targets to increase the revenue from existing customers by adding value in the current economic scenario. Secondly, we are focusing on our SaaS offerings and aggressively marketing them as the small and medium sized customers readily embrace it. Thirdly we are focusing on the competitiveness of our current product stack by continuously increasing the functionality, usability and incorporating new technologies.

6. Liquidity

Your company continues to generate cash from operations and has been able to manage its working capital requirements. Your company has cash equivalents of ₹ 184.25 million as at 31 March 2012 (2011: ₹ 143.05 million) on a consolidated basis, of which ₹ 17.5 million (2011: ₹ Nil) were invested in short term liquid instruments.

7. Subsidiaries

Four Soft Ltd has three direct subsidiaries; Four Soft B.V, The Netherlands, Four Soft Singapore Pte Ltd, Four Soft Malaysia Sdn Bhd, and the following six step-down subsidiaries Four Soft Netherlands B.V, Four Soft Nordic A/s, Four Soft UK Ltd, Four Soft USA Inc., Four Soft Japan KK and Four Soft Australia Pty Ltd. All subsidiaries are wholly owned by your company.

During the year, your company has neither made any acquisitions nor has setup any subsidiaries. There has been no material change in the nature of the subsidiaries listed aforesaid. A statement with brief financial data of each subsidiary is part of this annual report.

A consolidated financial statement of the company and its wholly owned subsidiaries is attached as required by the Listing Agreement. The consolidated financial statements have been prepared in accordance with Accounting Standard 21 - "Consolidated Financial Statements" as notified by the Companies (Accounting Standards) Rules, 2006, as amended.

The Ministry of Corporate Affairs has granted general exemption under section 212(8) of the Companies Act, 1956 exempting companies from attaching copies of the Balance Sheet, Profit and Loss Account, Reports of the Board of Directors and Auditors of Subsidiaries as specified under Section 212 (1) of the Companies Act, 1956 subject to publication of certain summarized financial information of the subsidiaries in the Annual Report. Accordingly these documents related to subsidiaries are not attached to the Balance Sheet and the summarized financial information related to subsidiaries is included in the Annual Report. Full Annual Report including financial information of the subsidiaries will be available upon request by any member interested in obtaining the same. All the documents related to subsidiaries are kept in the head office of the company for inspection by any interested shareholder.

8. Solutions offered

Presently, your company offers solutions for freight forwarding industry, 3PLs and service providers, customs brokerage, contract and warehousing logistics, and for liners, non-vessel operating common carriers (NVOCCs) and agencies. Products in freight forwarding industry include 4S eTrans®, 4S Visilog® and 4S eTrans SME® and that for contract and 3PL warehousing providers include 4S eLog®. In addition, 4S iShipping targets the liners market, 4S eCustoms® targets the customs brokers & shippers and 4S Visilog Plus® which represents the Four Soft shipper logistics industry targets the shippers and manufacturers for their logistic needs. Your company also offers IT- services including consulting, software development and system integration and implementation in the domain of logistics related IT.

9. Human resources

With a focus to improve people quality for sustained competitive advantage and provide service excellence to our existing clientele, the company has focused on transformation through qualitative recruitments of highly talented resources. We have been consistently hiring a few niche techno-functional roles which include positions like technical designers and functional consultants from top rated premier institutes and with relevant domain expertise. It has resulted in the company gearing up for the challenges of new product deliveries by having an optimum manpower. A concentrated effort in recruitment was also taken to make the staff more culturally diverse and further improve our gender ratio.

Focus have also been extensively on continuous internal training and competency building, with measures such as quarterly and on-the-job assessments post training introduced to capture the value addition of each resource. We have introduced Four Soft internal certifications this year which benchmarks the criterion at various technical level of expertise and also recognizes the individuals in their technical roles.

With a clear goal of constantly benchmarking and improving the internal HR practices with the best in the industry, triggered through organizational initiatives like CMMI Level 5, the company has been proactively pursuing its strategic objective of being a worldwide leader in logistics and supply chain management solutions through the quality and competency of its people.

Our Talent Management Program (TMP), which is now in existence for over 2 years, has proved to be an effective tool in not only retaining the top performers but also in developing the organizational talent for succession planning. The main features of this program which has been valued by the participants have been career planning, job enrichment, and job enlargement. This has helped the company by having a more motivated and engaged workforce having higher productivity and reducing the risk of attrition.

The Rewards & Recognition (R&R) program have also been a success in motivating the workforce with over 37 people being awarded over the last year with the Gold Award (Executive Level), 14 with Platinum Award (Lead Level) and 6 with the Diamond Award (Manager Level). The annual awards, 4S Star of the Year, were won by 2 associates, one each from R&D and Customer Support & Implementation (CSI) teams, for their contributions with best in class productivity and quality during the year. The first set of 4S President's Award were also distributed to 2 key people in the organization - a) Sowmindra Rotti from the Corporate office for outstanding contribution to Development and CSI teams over a service tenure of 10 years, and b) Rasmus Hansen from the Four Soft Denmark CSI team for excellence in customer service for over 25 years. Apart from that 53 people were recognized with the Spot Award for completion of special assignments which added value to the company. All these awards included a certificate, trophy and gift vouchers. Your company received the "Award for Talent Management" at the National level in teh 6th Employer Branding Awards 2012 held in Mumbai on 18 February 2012. This award was given for having one of the best talent management program in the industry.

Your company follows the management by objective methodology where each function has clearly defined and measurable Key Result Areas (KRAs), which are further broken down to the lowest individual levels. The achievement of the KRAs is essential for each person's progress in the organization and for their possible nomination into programs such as TMP, R&R etc. Merit based pay, to award the top performers, have been introduced across the organization to bring transparency and meritocracy in the organizational Compensation and Benefits (C&B) program. Some C&B components like variable pay, annual bonus and mid-year reviews were introduced to reward the top performers. This has helped in ensuring a healthy competition within the workforce by encouraging everyone to not only achieve but exceed their required performance parameters and be recognized as a top performer.

HR and Administration process automation have been complete through 4S eStart, the internally developed human resource information system, and now covers almost all HR modules starting from recruitments to separation. Global travel and expense settlement were also developed and added during the year to bring better control over travel management and minimize paperwork. The enhancement of 4S eStart continues by making it more versatile through inclusion of other functional areas such as legal and company affairs.

10. Processes

Your company's quality system is built on three pillars: ISO 9000, CMMI and Lean Management. We have built our process definitions, standards, tools and documents so that the system is in conformance with all the three frameworks. We not only undertake extensive customer satisfaction surveys but also conduct internal audits to maintain and verify high levels of compliance. We are currently CMMI Level 5 (obtained in 2010) and ISO 9001certified. This continuous improvement model of CMMI is one of the most prestigious certifications and is a testimony of the organizational focus on process improvements. We initiated Lean Management in the year 2009 and we are reaping benefits of the same in all identified value streams. Measures that validate the success of this program are reduced amounts of rework in the company, faster implementation cycle for standard implementations and increased automation levels in various functions. Lean is implemented in projects and functions focusing on reducing non value activities and increasing value to customer. Process and templates are reviewed applying lean principles and non-value process steps are removed. This has simplified process implementation for practitioners.

11. Corporate governance

As a good governance initiative, your company continues to improvise on complying and providing additional disclosures apart from complying with the recommended SEBI guidelines on Corporate Governance. A report on corporate governance along with the certificate from a Company Secretary-in-Practice confirming compliance of conditions of corporate governance as stipulated under Clause 49 of the Listing Agreements with the stock exchanges form part of the Annual Report.

The company has well framed policies such as the Whistleblower Policy, Fraud Detection Policy and the Code of Conduct for senior officers and executives in the company. The company has internal controls and documented procedures and continues to ensure compliance with the said policies.

12. Corporate social responsibility

As a concerned corporate citizen, your company believes in sharing and contributing to the global development. We at Four Soft not only just deliver products but also believe in sharing health and happiness with the under-privileged sections of the society.

Your company implemented various CSR programs strategically during the previous financial year. As an orgnaisation we strongly believe that just giving a donation is not enough, but rather understanding, developing and maintaining a strong a two-way relationship between the society and the orgnaisations we support as part of our CSR activity adds add value to all stakeholders. We have witnessed that the CSR program also encourages the professional (and personal) growth of all employees, as it highlights socially relevant issues and helps the company address them as part of its corporate citizenship. In line with the values of the company, customers and staff and most importantly, based on a genuine concern for people and the community, we at Four Soft implemented many CSR activities during the year ended 31 March 2012, including the following:

- Donations to Bless Foundation: In view of Independence Day 15 August 2011, we identified more than 50 under privileged children in "Bless Foundation, ECIL" donated groceries to the foundation for their next 4 - 6 months maintenance of the foundation.
- Donations to Kinnera Welfare Society (Old Age Home) - to mark the occasion of Gandhi Jayanti (02 October 2011), we have distributed shawls (clothes) and fruits to the residents of the old age home.
- Donations to Satya Sai Old Age Home & Orphanage - on Christmas day (25 December 2011), we donated clothes, groceries and books to economically poor children and those residing in the orphanage.

Consistent with Four Soft's approach to social responsibility, the company is "Going Green." The FS green policy has two primary goals: (a) to lessen the Companies' impact on the environment and (b) to become a standard-bearer in the logistics industry in promoting responsible stewardship toward the environment and its natural resources. Four Soft has built and maintained over the years a firm culture that prizes excellence not only in the logistics business, but also in discharging the company's responsibility to the communities in which our staff live and work. Our green policy is consistent with the Four Soft's commitment to good corporate citizenship and best management practices. We have implemented the following as a part of our campaign:

- Reduce Carbon Footprint campaign - Encouraged carpooling concept (in January 2012) by providing special parking and flexible timings to employees with the objective of reducing the carbon footprint in the environment.
- Go Green Campaign: Dry waste collection by "Aashayen" on 22 August 2011 as part of Environment - Employment - Education (EEE) campaign. This initiative leads to pollution free environment, and to provide employment opportunities to

under privileged people through Aashayen by way of recruiting them for collecting dry waste from various corporates. Aashayen manufactures or sometime provides dry waste to relevant small scale units to recycle this dry waste to make paper bags etc.

13. Directors

As per Article 88 of the Articles of Association Mr. Srinivas Prasad and Dr. T.R.Sivaramakrishnan, Directors are retiring by rotation at this meeting and being eligible, offer themselves for re-appointment.

Mr. Jorgen Winther Nielsen ceased to be a director of the company with effect from 8 December 2011. We place on record our appreciation for the services rendered by Mr. Jorgen Winther Nielsen during his tenure on the Board.

Pursuant to the provisions of Clause 49 of the Listing Agreement, brief profiles of the above directors are provided in the notice to the Annual General Meeting.

The Board of directors of your company recommends their re-appointment.

14. Auditors

M/s. Walker, Chandiok & Co, Chartered Accountants hold office until the conclusion of the forthcoming Annual General Meeting and have confirmed their eligibility and willingness to accept the office of the Auditors, if reappointed.

The Board of Directors recommends the appointment of M/s. Walker, Chandiok & Co, as the Statutory Auditors of the company for the year 2012-13.

A Report of the Auditors on the financials of the company is appended to this Annual Report. There are no qualifications in the Report.

15. Disclosure as per Listing Agreement

Clause 32:

The cash flow statement in accordance with the Accounting Standard on cash flow statement (AS-3) as notified by the Companies (Accounting Standards) Rules, 2006, as amended is appended to this Annual Report.

Clause 43A:

Your company's shares are listed on the Bombay Stock Exchange Limited, Mumbai (Stock Code: 532521) and National Stock Exchange of India Limited, Mumbai (Stock Code: FOURSOFT). The Annual Listing Fees for the year 2011-12 has been paid.

Director's responsibility statement as required under Section 217 (2AA) of the Companies Act, 1956

Your directors confirm that -

- In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period.
- The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- The directors have prepared the annual accounts on a going concern basis.

The financial statements have been audited by Walker, Chandiok & Co, Chartered Accountants - the statutory auditors.

16. Four Soft Limited Employee Welfare Trust

The company has established Four Soft Limited Employees Welfare Trust ("the Trust") to administer the ESOP Scheme and as at 31 March 2012 had issued 1,170,200 equity shares of ₹5 each, including 217,200 equity shares issued pursuant to issue of bonus shares in 2003.

Pursuant to the ESOP Scheme 2003 the trust has granted equity shares at an exercise price of ₹ 5 each to the eligible employees, which are subject to progressive vesting (1 year after date of issue of options) over a period of three years from the date of grant. As of 31 March 2012 the total shares held by the Trust is 243,987 (2011: 289,327). Mode of settlement of these stock options is equity.

Details of the equity shares issued under ESOP and the disclosures in compliance with clause 12 of the SEBI (Employees Stock Options Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 are set out in the annexure to this report.

17. Fixed deposits

Your company has not accepted any fixed deposits and, as such, no amount of principal or interest was outstanding as of the balance sheet date.

18. Personnel

Particulars of employees as required under the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, is attached to this report.

Conservation of energy, research and development, technology absorption, foreign earnings and outgo:

The particulars as prescribed under Subsection (1)(e) of Section 217 of the Companies Act 1956 read with the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988, are set out in the annexure included in this report.

19. Acknowledgments

Your directors take this opportunity to convey their appreciation for the support and co-operation received during the year under review, from all the government authorities, shareholders, other stakeholders, clients, vendors, partners, bankers and other business associates. Your directors wish to place on record their deep sense of appreciation for the dedicated and sincere services rendered by the employees at all levels.

For and on behalf of the Board of Directors

Sd/-
Palem Srikanth Reddy
Chairman & Managing Director

Place: Hyderabad
Date: 10 August 2012

ANNEXURE I TO THE DIRECTORS' REPORT

Particulars pursuant to Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988

1. Conservation of energy

Your company takes adequate measures to reduce energy consumption by using efficient computer terminals and by using latest technology. The impact of these efforts has enhanced energy efficiency. As the facility is located in L&T Cyber Towers, Hyderabad, air-conditioners, hydro-pneumatic pumps used are highly energy efficient. Since the energy cost forms a very small part of total expenses, the financial impact of these measures is not material and not measured.

2. Research and development (R&D) and technology absorption

The world of technology changes very rapidly with the introduction of new tools, versions, frameworks, development kits and so on. On the other hand, some applications and tools become obsolete. Since your company is a knowledge based product company the management of technology is vital, just like the management of other resources. In line with this goal, we have the product development team supported by the technology department. Your company has never reduced or diluted the emphasis on the R&D and technology activities thus ensuring a clear strategic advantage over our competitors. We see our products as technology-enabled business solutions.

Technology absorption, adaptation and innovation

Your company's technology department regularly monitors technology trends, guiding technology selection, introducing new tools to the company, and creating prototypes that can be used for building new products and modules.

During the year, cross-platform browser-based mobile applications have been developed in which some of the functionality of our products can be used from mobile devices. The inhouse developed Four Soft Framework Studio has been used in the development of new products / modules like 4S eLog® 3.0, MDM (Master Data Management) and 4S ePlanner.

The company's connectivity product 4S eConnect® has been successfully implemented as the integration broker at few of our customers. PKE (public key encryption) integration has been also provided in 4S eConnect® to support messages encryption for US Customs.

Your company continuously carries out performance engineering of its product suite by the usage of various tools such as Webload 8.3, JProfiler, Wireshark. It has consistently improved the application speed so that they meet or exceed the benchmarks committed to customers. This year, to our tool mix, we added Appdynamics, IBM Page Detailer, YSlow plugin (for client side tuning), integrated IronEye SQL tool with p6spy driver for query tuning and configured SQL Profiler in Oracle AS to profile queries and suggest indexing.

Research and development

Specific areas in which R&D is carried out

Being a product company, Four Soft's R&D activities revolve around continuously anticipating customer requirements, understanding the business problems of customers, identifying how our products can solve those business problems and development of our products to meet current and future needs of our customers.

Our domain experts continuously conduct research in the changes in the business of our customers, to suggest changes and improvements in our products. These changes and improvements may be in the nature of a) changes and/or additions in functionality of the products and b) changes and/or additions in the graphical user interface. In addition your company unceasingly explores avenues to develop new products in the logistics and supply chain domain. The product development team constantly incorporates changes/additions in the products and works hand in glove with our domain experts.

Benefits derived

R&D initiatives of Four Soft create intellectual and intangible assets which are monetized by way of a) additional customization revenue from product improvements and enhancements and b) sale of new products to existing and new customers. In the year under review, your company successfully developed 4S eCustoms® for the US region and implementation is currently in progress at few of our US customers.

Future plan of action

On the development of products perspective, your company has the following plans of action:

a) Fours Soft plans to explore business opportunities in the shipper side of logistics and Four Soft will address the needs of this domain and make standard interfaces available for all 4S eProducts, and the interfaces will be compatible to read and write ANSI and EDIFACT messages. Working of our products in an integrated mode with each other and with external systems is the next logical step.

b) Four Soft plans to prepare a platform for integration of customs applications (Four soft customs products and external applications) of different regions to enable large global business houses to manage their customs compliances centrally and improve productivity.

On the technology adaption and innovation front we have the following plans:

a) Your company plans to develop native mobile apps for Android, Blackberry, and iOS platforms.The first app will be POD (proof of delivery) for 4S Visilog®. Subsequently, we plan to extend the concept to 4SVisilog® Track & Trace native apps on the Android platform. Simultaneously your company proposes to develop native apps for other products available on mobile devices.

b) All 4S eProducts are proposed to be made cross browser (IE, Mozilla, Safari and Chrome) compatible. We will continue with the performance engineering activities so that all products will continue to have less than 1 sec response time in local area network for every request.

c) Four Soft will endeavor to develop integration modules for interfacing between 4S eTrans and TRAXON (Air Carriers) portal using CIMP (IATA) messages with SITA as envelope and message format.

d) Four Soft plans to create an 'Auto Testing Framework' for Quality Assurance (QA) with the objective of reducing the manual testing efforts of 4S eProducts. The in-house testing framework will be very easy to use and cost effective.

e) Your company proposes to release a new version of the PMD tool used for code reviews. The new release will have a graphic user interface. The advantage of the tool is flexibility of usage by the developers to use, as it doesn't require integration with the workspace.

Your company will enhance the niche of R&D by obtaining international inputs with onsite engagements, publishing papers and articles in technical journals, making presentations in reputed institutions and seminars, and absorbing professionals with considerable development experience. These will enhance the brand of R&D within your company, and by delivering superior business propositions, they will enhance the brand value of your company in the market.

Your company spent ₹ 76.58 million in current year (2011: ₹ 79.17 million). Your company also incurred development expenditure of ₹ 9.80 million (2011: ₹ 25.29 million). We have not imported any technology in the current or previous year.

3. Foreign exchange earnings and outgo

(₹ in million)

Particulars	For the year ended March 31	
	2012	**2011**
Gross earning	348.55	251.57
Outflow (including capital goods and imported software)	20.14	13.71
Net Foreign Exchange (NFE) earnings	328.41	237.86
NFE/Gross earnings %	94%	95%

STATEMENT SHOWING LIST OF EMPLOYEES REQUIRED TO BE ATTACHED TO THE DIRECTORS' REPORT AS PER SECTION 217(2A) OF THE COMPANIES ACT, 1956.

Name of employee	Designation	Remuneration (₹)	Nature of employment	Nature of duties of employment	Qualification & experience	Date of commencement of work	Age	Last employment	% of shareholding in the company.
Rajshekhar Roy	Chief Executive Officer	2,750,000 p.a	Resigned w.e.f 10 April 2012	In charge of global Project management and Operations.	BE, MBA. 21years of experience	08 October 2007	47yrs	CHR Global Pvt. Ltd.	0.15%
Soubhik Ghosh	Chief Technology Officer	2,400,000 p.a	On Rolls	In charge of global delivery and product development	B.E in Mining Engineering, M.Tech in Industrial Engineering	01 January 2011	48yrs	R.S. Software Ltd.	0.01%
Amit Ranjan Gupta	Vice President Customer Service	2,400,000 p.a	On Rolls	In charge of customer service and implementation	B.Tech in Elect. Engineering, MBA from IIM	13 February 2012	39yrs	Adayana Learning Solutions Pvt. Ltd.	0.00%

For and on behalf of the Board of Directors

Sd/-

Palem Srikanth Reddy

Chairman & Managing Director

Place: Hyderabad

Date: 10 August 2012

ANNEXURE II TO THE DIRECTORS' REPORT

Disclosure pursuant to provisions of SEBI (ESOP and ESPS) Guidelines 1999 is given below.

Sl No	Description	ESOP Scheme
1	No. of shares available under ESOP Scheme	
	a. Originally allotted to	953,000
	b. Consequent to Bonus issue and split of shares	217,200
	c. Total	1,170,200
2	No. of options granted	Refer Note1
3	Pricing formula	ESOP 2003 Scheme - Price of ₹5/- per share ESOP 2009 Scheme - Price of ₹10/- per share
4	Options vested as on 31 March 2012	-
5	Options exercised during the year	45,340
6	Options lapsed during the year	38,336
7	Total no. of options in force as on 31 March 2012	100,000
8	Variations of terms of options	Refer Note 2
9	Money realized by exercise of options	₹ 226,700
10	Grant details to members of senior management team	100,000 under ESOP 2003 Scheme
11	Employees holding 5% or more of total options granted during the year	NIL
12	Identified employees, who were granted options during the financial year exceeding 1% of issued capital	NIL
13	Diluted EPS as per Accounting Standard 20	(0.85)
14	i. Method of calculation of employee compensation cost.	The company has calculated the employee compensation cost using the intrinsic value of the stock options.
	ii. Difference between the employee compensation cost so computed at (i) above and the employee compensation cost that shall have been recognized if it had used the fair value of the options :	₹ 2,647,664
	(iii) The impact of this difference on profits and on EPS of the company:	
	Profit /(Loss) after Tax as reported:	₹ (32,955,026)
	Less: Additional employees compensation cost	₹ 2,647,664
	based on Fair value	₹ (35,602,690)
	Adjusted Profit / (Loss) after Tax	
	Adjusted EPS	
	Basic	₹ (0.92)
	Diluted	₹ (0.92)
15.	Weighted average exercise price and fair value of stock options granted:	N.A

Sl No	Description	ESOP Scheme	
16	Description of the method and significant assumptions used during the year to estimate the fair value of the options, including the following weighted average information	The Black Scholes option pricing model was developed for estimating fair value of traded options that have no vesting restrictions and are fully transferable. Since options pricing models require use of substantive assumptions, changes therein can materially affect fair value of options. The option pricing model does not necessarily provide a reliable measure of fair value of options.	
17	The main assumptions used in the Black Scholes option pricing model during the year ended were as follows:		
		2012	2011
	Risk free interest rate :	8.25% to 8.50%	8.0% to 8.25%
	Expected life of options from the date of grant :	1 to 2 Years	1 to 4 Years
	Expected volatility :	0.51 to 0.57	0.47 to 0.57
	Expected dividend yield :	NIL	NIL

Note 1: No. of Options granted during 2011-12

1. **Under ESOP 2003 Scheme :**

   Number of options granted to employees during the year ended 31 March 2012 is 100,000.

2. **Under ESOP 2009 Scheme:**

   No options were granted to employees during the year ended 31 March 2012. However, for the purpose of preparation of financial statements, the guidance note issued by ICAI on 'Accounting for Employees Share Based Payments', we have disclosed stock options likely to arise till 31 March 2013 (end of the said scheme).

Note 2 : Variations of terms of Options

Variation in ESOP 2003 Scheme:

In the Annual General Meeting held on 29 September 2008, the shareholders approved the following variations to ESOP Scheme:

a. There is no lock-in period after allotment of Employee Stock Option shares to employees account.

b. One-third of total grants offered to be vested on to employee on each completed year of service from the date of granting of option. In other words:
   - 33.33% of the total shares granted can be exercised by each employee on or after completion of 1st year from the date of grant.
   - 33.33% of the total shares granted can be exercised by each employee on or after completion of 2nd year from the date of grant.
   - 33.33% of the total shares granted can be exercised by each employee on or after completion of 3rd year from the date of grant.

Employee Share Purchase Scheme (ESPS) 2009

As per the Four Soft Employee Share Purchase Scheme 2009, 1,948,000 equity shares @ ₹20/- per share are planned to be issued to the employees based on the criteria set forth in the said Scheme.

In the year ended 31 March 2012, the company has not allotted any shares to employees based on Four Soft Employee Share Purchase Scheme 2009.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT FOR THE YEAR 2011-12

Overview

The financial statements have been prepared in compliance with the requirements of the Companies Act 1956, and Accounting Principles Generally Accepted in India (Indian GAAP). The Management of Four Soft accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used therein. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair manner the form and substance of transactions, and reasonably present the company's state of affairs and profits for the year.

The following discussion may include forward looking statements which may involve risks and uncertainties, including but not limited to the risks inherent to company's growth strategy, dependency on certain clients, dependency on availability of qualified technical personnel and other factors discussed in this report.

1. Industry structure and developments

Four Soft is an enterprise applications and product company that operates in the transportation, logistics and SCM (supply chain management) market space. Four Soft has its suite of products for transportation and logistics and freight forwarding, customs, liner shipping, NVOCC, 3PL and 4PL companies. The target customers in 'transportation and logistics' vertical include service providers; and for 'supply chain execution / distribution' vertical, the target market includes shippers / manufacturing and 4PL companies. These are execution and mission critical applications for the customers.

Transport and logistics industry is growing at a 10%-14% globally and more importantly the future of this industry is heavily dependent upon the efficient delivery and visibility which requires more than current investment in IT byt this industry.

The industry is characterized by application portfolio fragmentation, caused by many factors such as buying standalone applications over time, company structures, inhouse developed applications, mergers and acquisitions and outsourcing as well.

This also applies to all the SCM intensive manufacturing industries such as pharmaceutical, automobile and retail industry. These industries will soon be called IT driven supply chain companies as information technology will increasingly play a pivotal role in the operating model of SCM companies which translates to opportunities for IT products and services companies across the globe.

As per a latest leading industry report, 35% of businesses surveyed identified the inability to synchronize end-to-end business process resulting in increased demand for SCM application convergence.

Further the report also estimates that 60% of the current multinational manufacturers will organize to manage logistics globally in order to gain economies of scale, visibility and manage other risks. In order to improve efficiency and lower costs, the report further elaborates that companies will focus on the execution elements of supply chain:

a) Network and inventory optimization

b) Warehouse and inventory management systems

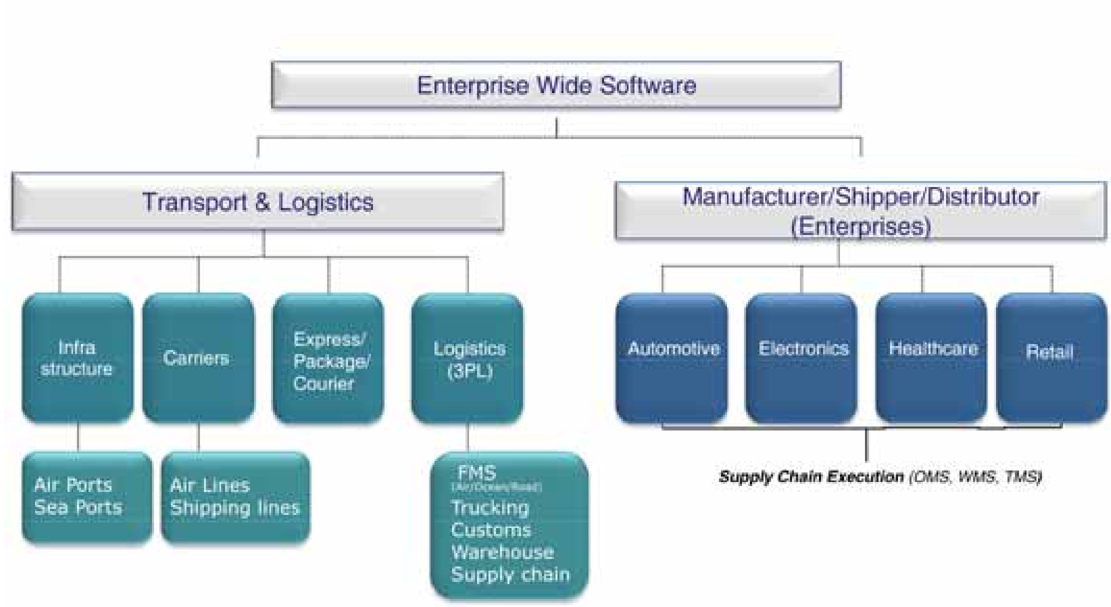
c) Transport management systems

Revenue for the worldwide SaaS market will grow by 18% in 2012 to US $14.5 billion, according to a leading industry report. The SaaS market will be worth US $14.5 billion in 2012, and is expected to expand up to US $22.1 billion by 2015.

SaaS adoption in 2012 will be driven by the growth of the platform-as-a-service developer communities as well as a growing interest in cloud computing. Organizations most commonly use SaaS for horizontal applications (i.e. applications that address business divisions, rather than specific industries) with common processes, however, there is increasing interest in vertical-specific offerings too.

2. Business

2.1 Business segments and offerings



Four Soft has established its web centric, next generation product portfolios on licensing, hosting and SaaS models. This has opened up a wide range of market space for the company across the supply chain and other growing markets such as the electronics and retail.

The suite of software products offered by Four Soft are 4S eTrans®, 4S eLog®, 4S Visilog®, 4S VisilogPlus®, and 4S eCustoms®, 4SeConnect® and 4S InfoTips™ collectively known as '4S eProducts' or 'eProducts'.

Our product portfolio enhances efficiency, provides visibility and integration across operations and also to other third party software and systems. The company's product development centre (India Technology Centre) and global delivery centre are located at Hyderabad with sales and support offices in United Kingdom, The Netherlands, Denmark, the United States of America, Singapore, Australia and Japan. Four Soft continues to be a global leader in supply chain execution software solutions for transportation, freight forwarding and logistics domain.

Freight forwarding solutions

Built on the cutting edge technology of J2EE, Spring & SOA architecture, our products for freight forwarding are multi-modal, web-centric applications for transportation companies designed to give operational and financial control of global and domestic freight movements, from order to cash.

- 4S eTrans® is offered for large, medium and small customers and it provides real time data visibility and improved operational profitability. The SME version provides solutions for Small and Medium Enterprises.
- 4S Visilog® offers Track & Trace functionality to service providers who in turn could also be using other applications in this domain.

Contract logistics

Four Soft suite of products built for logistics service providers extends well beyond the capability of traditional warehouse and inventory management systems by integrating supply, fulfillment and partner collaboration into one enterprise service platform. The Warehouse Management Solutions (WMS) module contains all the functionality required by warehousing and distribution organizations. Its distributed processing approach supports a wide variety of facilities, including hub-and-spoke distribution centers. These capabilities help a 3PL provider meet the demands of continuous replenishment strategies while lowering inventory and shipping costs, and increasing visibility into the supply chain.

The solutions in the offering include 4S eLog®, a web centric WMS application that fulfills warehousing and contract logistics for 3PL companies with capabilities to handle order management, fulfillment and partner collaboration.

Shipper logistics

4S Visilogplus® is a world class business application designed as an efficient solution for managing supply chain activities in the distribution network, whether company owned or outsourced to third parties. It enables step-by-step implementation and can be adapted and changed as per needs. Its open architecture makes it easy to integrate with other systems and capably extend ERP into supply chain execution. It is designed to handle business processes order management, transportation management, warehouse management and event management. It also enables various elements of the supply chain to be connected on real time basis using web technology and collaborate for overall benefits to the supply chain.

Customs brokerage

4S eCustoms® is a global customs framework, that supports multi-country customs declarations, deployable at country levels of customer choice. It targets the customs brokers, shippers that have self-declaration license and freight forwarders and 3PLs that also manage customs brokerage. The new technology also supports the ability to deploy it across multi-terminals and branches spread across multi-locations, manage the filing from any of the location in a decentralized mode, and yet have control and visibility in centralized mode.

All our eProducts are sold and deployed in the conventional user license based as well as SaaS model in India, wherein the revenue model is on subscription basis for the usage of the system which is hosted by Four Soft. The SME customers see the SaaS model as an easily adaptable one, as they save upfront investment in terms of hardware as well as are free from implementation hurdles.

2.2 Business model

Four Soft sells its software products in various delivery models including hosted, SaaS and licensed basis. The license model is typically done on the 'named users' count, which increases as the customer's scale of operations increase. The revenue stream is sustainable since there is annual maintenance support contract for the licensed sales made. The service revenues would also come from the implementation services that are performed, helping the customer 'go live' with Four Soft products, at times, also in integrated mode with other existing software applications at customers' site. Further, changes in business environment and regulations need product modifications and enhancements which will result in revenue from customization service contributes to overall increase in revenues. In the year under review there has been a growing interest in SaaS model and this could be an interesting development for the company. This means expanding in the SME market segment and evaluation of the SaaS model by few large clients who may adopt license model. The revenue numbers on SaaS may not be substantial at the present time.However, the company will be able to earn better margins in this model as scale increases.

A detailed table representing revenues from various services is given below for easy understanding.

Consolidated numbers for the year ended March 31	**2012** ₹ in million	**% of revenue**	**2011** ₹ in million	**% of revenue**
Revenue from product related enhancements	831.97	64.97	735.43	60.33
Annual maintenance	364.17	28.44	345.62	28.35
Software licenses	78.53	6.13	102.55	8.41
Third party	5.91	0.46	35.47	2.91
Total	**1,280.58**	**100.00**	**1,219.07**	**100.00**

2.3 Geographical mix

The long term potential of our revenue stream is from various geographic regions specified below. It could be observed that Europe, Middle East and Africa (EMEA) continues to be contributing to majority of the revenue share, given the number of logistics hubs it accommodates. Our focus on regions such as the Americas and Asia Pacific (APAC) has increased and will result in more evenly spread geographic concentration in future.

Consolidated numbers for the year ended March 31	2012 %	2011 %
EMEA	70.10	67.36
North America	20.63	21.91
APAC	9.27	10.73
Total	**100.00**	**100.00**

2.4 Customer base

Over the years, your company has not only delivered "best-in-class" solutions but also successfully built long-term partnerships with 15 of the world's top 20 transport and logistics players. Four Soft understands the importance of expanding its business reach to sustain competition in the market space it operates which has enabled us to work with some of the prominent players from the shippers' domain.

Today, with over 400 customers, 60,000 plus users across 120 countries, our customers have entrusted us with the management of their global complex supply chain networks including DHL, CEVA, DB Schenker, Panasonic, Flyjac, and Geodis Wilson.

2.5 Average revenue per employee on consolidated basis

In the products and solutions business, our average revenue per employee, a key measurement for increased productivity and profitability is seeing a better trend in this financial year. Your company expects it continue increasing going forward. The below table depicts the growth:

Average revenue per employee	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
(₹ in Million)	0.63	1.54	1.87	2.14	3.27	2.37	1.85	1.93

2.6 Quality

Your company is dedicated to maintain the highest level of quality standards and processes in its development and delivery teams and overall process improvement to achieve the quality certification. Your company has been appraised with CMMI Level 5(Version 1.2) certification.

This achievement recognizes your company for best-in-class processes related to design, development and maintenance of software that enables it to be a reliable partner for customers to solve their business problems.

Capability Maturity Model Integration (CMMI) is a process improvement approach that helps organizations improves their performance. CMMI can be used to guide process improvement across a project, a division, or an entire organization. CMMI in software engineering provides a framework for the organization to operate at high maturity levels with the essential elements of management by facts and data-driven decision making.

The appraisal was conducted by Quality Assurance Institute India Ltd, SEI Partner.

3. **Strategy**

Your company's strategy has always been aimed at sustaining long term growth and continually improving margins. Vital elements of the company's strategy to achieve the aforesaid objective is summarized in the chart below :

New customer acquisition: The profile of new clients targeted by your company range from small and medium enterprises to large business houses globally. The flexibility of our business model ensures that we can cater to all types of customers. The capability of attract such a large spread of customers diversifies our risk and widens customer concentration across geographies.

Account management: Your company houses strong domain expertise and experienced customer service professionals who endeavor to attain high customer satisfaction. Your company's strategy is to leverage these attributes to mine our customers by offering additional value added services or products resulting in additional streams of revenue

Research and development: Sustained innovation and development efforts will continue to make differences in customer delivery and service. Outcomes of investments made in development over the years on new technologies will benefit in the coming years. Your company plans to continue R&D initiatives in reducing development cycles, creating mobile versions of our products, enhancing SaaS capabilities to improve margins and deliver exemplary customer experience.

Focus on manufacturer/shipper vertical: Your company has primarily provided products and solutions in the logistics and transportation vertical. In order to accelerate growth and strengthen future sustainability of business, the company has commenced pursuing the manufacturer/shipper segment. This segment provides your company immense opportunities to promote the company's supply chain visibility and execution software products.

4. **Opportunities and threats**

4.1 Growth through organic mode

Organic and inorganic strategies implemented by Four Soft over years have resulted in steady growth of the company. Your company has successfully integrated all its global operations and has emerged to become one of the most efficient organizations with proven delivery capability.

Your company has the following opportunities to accelerate organic growth:

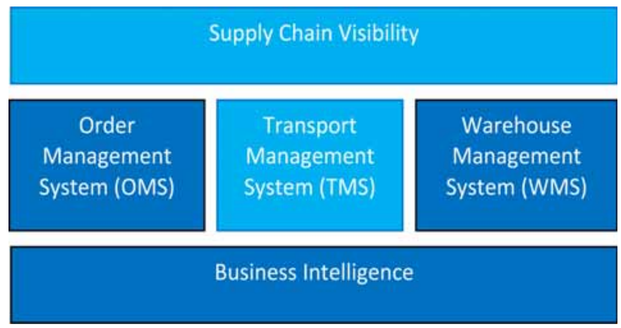
a) **Integrated solutions for transportation and logistics vertical**

We believe we are the only company capable of providing an integrated solution to logistics and transportation segment. Our integrated products 4S eTrans®, 4S Visilog®, and 4S eCustoms®, 4SeConnect®, 4S eAccounts® and 4S InfoTips™ provide an end-to-end business process flow enhancing customer productivity and efficiency in operations. The chart below indicates the integrated solutions mapping to logistics and transportation segment.

b) Increased focus on SCM and shipper logistics

The company has plans to focus on shipper logistics vertical and SCM market. Vast opportunities in the shippers and SCM market coupled with strength and acceptability of supply chain visibility and execution products 4S eLog®, 4S Visilog® and 4S VisilogPlus® will help us in gaining a foothold in the segment. The company's objective is to deliver an integrated solution complete with business intelligence. The chart below depicts our integrated offerings.

Integrated transportation and logistic solutions



Integrated supply chain execution solution

c) Software as a Service Model- LogiSaaS

Four Soft has already enabled all its suite of applications online in the SaaS model this year under the LogiSaaS brand. Your company identified SaaS approach a huge opportunity from SMEs (small and medium enterprises). In line with expectation, the SaaS contracts executed by the company are on the rise. We expect to significant volumes of SaaS contracts in future improving our margins.

d) Multiple geography customs platform

With rising customs compliances and unique nature of customs regulations of different geographies, a need for a common platform integrating customs applications of different countries has arisen for multinational companies. We believe your company has the requisite domain and technical expertise and excellent relationship with regional customs application providers to create the necessary opportunity.

e) Diversifying into BPO services within the supply chain segment and remote infrastructure management services (RIMS)

The company has secured two orders from existing customers in the previous years which could lead us to more opportunities. By leveraging the existing domain knowledge and customer base we could provide services such as freight settlement reports, customer service and transaction entry to global freight forwarding companies. Your company also offers a set of services that help businesses manage the hardware, networks and associated software using capabilities that are located away from their physical locations.

Experience gathered over the years in running our IT operations, has given us the expertise to manage the IT infrastructure of our customers remotely. Your company now offers a one stop solution to cater to all IT infrastructure needs of customers. The company has secured an order in the previous year from its existing customer for this offering.

The company believes that being a product service provider, it has an advantage of understanding the business better and has the potential to start BPO/RIMS services within the existing customers and explore new opportunities with new customers.

4.2 Market opportunity and outlook

Four Soft has made inroads based on the opportunities that exists in the logistics and transportation domain. Your company products portfolio has extended horizontally and vertically. Today, it offers integrated software solutions for Logistics & Transportation, Shipper Logistics and Services (BPO Services, RIMS etc.). Vertically, we have explored business opportunities in the growing market segments such as direct selling and retail.The company also has offerings built on latest internet technologies, using J2EE, which in turn positions your company as the best in the industry thereby providing an opportunity for product offerings across domains.

Slower global trade will force shippers look to improve efficiency and lower costs, the focus will shift to execution and visibility elements of supply chain management. These shifts will provide huge opportunities in all the parts of supply chain - Purchase-order management system (OMS), vendor management systems (VMS), warehousing management system (WMS) and transport management system (TMS). Your company is poised to take advantage of these chances in the shippers market to enhance the value of the company.

With the growing complexity of operations in this domain, it is extremely important to get the real-time visibility in the supply chain execution and ensure that information moves seamlessly across the supply chain, including internal systems and multiple external systems. Tracking and tracing the consignment is of great business interest to each of the business partner in the supply chain right from consignor to consignee including the service providers in the middle. Powerful transaction applications that would increase operational efficiency added with the capability to offer visibility and track and trace has good market potential in this domain and our applications typically target to offer this value proposition to the target market segments.

Four Soft operates its own IT infrastructure in a world class data center which has a heterogeneous mix of hardware and software platforms running mission critical applications for our own operations. Running our own data center gives us greater ability to protect the intellectual property we develop and also provide SaaS model of cloud computing and the hosted model where products licensed to our customers are deployed in our premises.

5. Risks and concerns

A. Market and competitive environment

The Transportation and Logistics domain continues to increase consolidation across various geographies. Four Soft is focused on this domain and any variations in this business environment may considerably impact the fortunes of the customers and thus effecting our revenues. Further, the company is not focused on one product or service segment for the industry, but offers a wide range or suite of products that may reduce uncertainties on the market size and opportunities etc.

In order to restrict fierce competition, the IT industry serving this domain has been witnessing various mergers and acquisitions recently. However, your company's focus is to acquire small players in the similar business either in US or Asia-Pacific to strengthen its local presence. The company is also looking to penetrate into South American market.

Global logistics industry will undoubtedly grow rapidly in the coming years due to increased global trade, favorable government policies across globe, advancement in modes of transportation, manufacturing moving to low cost economies, emergence of global brands and retailing, importance of information and communication technologies, focus on inventory reductions and newer ways of logistics and supply chain services.

Four Soft has a substantial edge over competitors due to its highly advanced technologies, scalable architecture, delivery capabilities and its vast domain knowledge, apart from its proven capability with 15 of the top 25 largest freight forwarders as customers from across logistics and transportation domain.

B. Foreign exchange rate fluctuations

Four soft has been operating through its global subsidiaries spread across Europe, North America and Asia. Four Soft does not have high dependency on any specific currency as the company's revenues are spread across various currencies. The revenues and cash flows are generated and received in each of its entities and hence the exposure is only to the extent natural hedge does not cover the risks. However, there will be risks in foreign exchange to the extent of its spending in Indian rupees which is not material at this point. We hope that the increase in Indian rupee revenues (domestic revenue) can mitigate the exposure to the extent of Indian rupee.

C. Technology obsolescence mode

The software products industry is highly characterized by rapid technological changes that could make our technology and service offerings obsolete, less competitive and difficult to sell. We are adapting ourselves to continuously improve the features, functionality, scalability, robustness and ability to meet the ever changing demands and needs of customers. Our failure to adapt to the challenges would affect our ability to compete and retain customers and market share.

Four Soft has the necessary technical resources, tools and methodologies in place to address the threat of technical obsolescence. We undertake testing with the latest available technical tools, architecture in our product development environment.

D. Geographic concentration of revenues

Concentration of revenue from any country exposes your company to the risks inherent to economic slowdown, local laws, work culture and ethics of that country. Four Soft's substantial revenues are contributed by Europe; however these revenues are spread across the United Kingdom, the Netherlands and Denmark. Your company monitors geographic concentration periodically to maintain a balance.

Since your company caters primarily to one industry segment - logistics and transportation segment - any major laws or changes in this industry would affect your company's business. However, being in the enterprise software solutions arena, your company always monitors the growth of the industry segment, which is witnessing growth in South-East and Far-East Asia. Further changes in laws or changes in industry may result in additional customization revenue to the company.

Your company relies on repeat business based on strength of client relationships and major portion are from existing clients. As number of clients increases, it limits your company's pricing flexibility, strengthens client's negotiation capability and any change in client's IT strategy will adversely affect your company's revenues. As a proactive measure your company analyses the risks due to change in client's business and focus on areas where it can proactively add value to improve competitiveness of clients.

E. Acquisitions

Inorganic growth through acquisitions has been the significant element of our strategy. It is critical to manage integration seamlessly across the organization during the acquisition phase, as our ability to serve customers is at higher than expected levels and thus demands our associates' contribution to make the acquisitions successful. Most of these acquisitions are focused on acquiring customers in different geographies and few of them are low margin companies and to turn around them to profitable and higher margin companies is always challenging. We need to continue leveraging the strengths of combined entities. The company believes that it has executed the acquisitions in a smooth manner with proper strategy and planning.

F. Variability of quarterly operating results

There is likely variance of quarterly operating results of the company due to IT investment trends by customers, achievement of milestones in software projects, additional staffing, timing and integration of acquired businesses, foreign exchange fluctuation gain / (loss). The past operating results and quarterly comparisons may not indicate the current or future performance. The company constantly endeavors to safeguard against such risks mitigating through best practices, advanced processes, future proof investments and imparting latest tools and skills to employees, and reasonably well protected against any such risks in future.

G. Intellectual property infringement

As product development depends on the intellectual property created by its employees, we need to ensure that the same do not infringe any other proprietary technology rights. We have intellectual property policies in place to take care of trade secrets, copyright and trademarks laws and confidentiality agreements for our employees, third parties offering only limited protection. The steps taken by us as well as laws of most advanced countries do not offer effective protection of intellectual proprietary rights. Third parties could claim infringement of proprietary rights against the company or also assert the same against our customers, which would require protracted defense and costly litigations on behalf of our customers.

Litigation may be necessary in the future to protect our technology proprietary rights and trade secrets, resulting in substantial costs and harming our business, despite all our efforts to prevent third parties infringing our proprietary rights.

H. Strategy

The company strategy has always been to strengthen our leadership position in this domain irrespective of market dynamics and this will enable us to have a global leader positioning and thus increasing our scope of offerings to existing and potential clients. The existing engagement with our clients is mostly offering one or more of our suite of solutions. The company is offering the next level of value added services to its customers. We continue to have recurring business from existing customers along with maintaining a long term relationship. We have continued to expand our global operations through client services across the globe through own offices as well as partners. Currently our presence is in over 8 countries with direct offices.

We continue to invest in employees, technology tools for R&D, recruitment and honing employee skills, increase domain expertise and promote brand visibility through tradeshows, sponsorships and investor relations. We also continue to develop alliances with leading technology providers to take advantage of emerging technology for mutual benefit and cost competitiveness.

The current industry we operate is highly competitive in nature, most of the software being developed by in-house IT departments and international companies setting up their offshore development centers in India. Recently industry ERP majors have also started focusing on this domain; however we continue to lead the pack with technology advantage and proven delivery capabilities and shorter implementation life cycle.

6. Internal control systems and their adequacy

Management maintains internal control systems designed to provide reasonable assurance that assets are safeguarded, transactions are executed in accordance with management's authorization and properly recorded, and accounting records are adequate for preparation of financial statements and other financial information. The internal audit function also carries out Operations Review Audits to improve the processes and strengthen control of the existing processes. The audit committee periodically reviews the functions of internal audit.

The company's internal audit team under the supervision of audit committee and dedicated professionals assess the adequacy of internal controls and means to enhance the same from time to time. These controls basically cover financial reporting, contingency plans for remedial measures, and validated tools to test controls and functions documented.

7. Culture, values and leadership

Your company is emerging as a global player in supply chain for transportation, logistics, and distribution execution software. Your company has a written code of conduct and ethics to make employees aware of ethical requirements and whistle blower policy for reporting violations, if any.

Your company has internal structured succession planning to take care of loss of any member of senior management or other key management personnel. Since inception your company is committed to developing next generation leaders and conduct personality development and development work of skills acquired by them over the years.

With around 600 strong workforce spread across various nationalities and geographies, your company encourages an 'Equal Employment Opportunity Policy' which discourages discrimination for employment on account of sex, race, color, religion, physical challenge and so on.

DISCUSSION ON CONSOLIDATED FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

A. Financial Condition

I. Share Capital:

The company has two classes of shares - Equity and Preference Shares. The authorized share capital is ₹ 350 million divided into 5,60,77,600 equity shares of ₹ 5/- each and 6,96,120, 14% redeemable preference shares of ₹ 100/- each.

During the year under review, there was no change in the company's authorized share capital and continues to stand at ₹ 350 million.

The Issued, subscribed and fully paid up share capital of the company is ₹ 194.66 million (2011:₹ 194.44 million).

II. Reserves and Surplus:

The closing balance of securities premium account was ₹ 648.99 million (2011: ₹ 648.11 million). ₹0.88 million (2011:₹ 1.24 million) was transferred on account of exercise of stock options respectively.

The capital reserve and general reserve remained unchanged at ₹ 14.28 million and ₹ 2.60 million respectively.

The balance of profit and loss account as on the balance sheet date is ₹289.33 million (2011: ₹ 715.71 million). Net loss after tax for the year were ₹ 426.38 million (2011: ₹ 30.94 million profit after tax) which is transferred to balance sheet.

The closing balance of foreign currency translation reserve is ₹ 76.31 million (2011: ₹ 2.01 million).

III. Long term borrowings:

Long term borrowings (Term loan from bank) as at the balance sheet date aggregated to ₹ 237.63 million (2011: ₹ 290.79 million). Reduction represents repayment of term loan during the year.

IV. Long term provisions

Long term provision pertains to provision for employee benefits in relation to gratuity measured as per Accounting Standard-15. Employee benefits.

V. Current Liabilities:

1. Short term borrowings

Short term borrowing (overdraft facility) as at the balance sheet date aggregated to ₹ 58.00 million (2011: ₹ 14.63 million).

2. Trade payables

Trade payables amounted to ₹ 115.94 million (2011: ₹ 121.93 million)

3. Other current liabilities

Other current liabilities consist of advance from customers of ₹ 169.07 million (2011: ₹ 141.34 million), statutory dues payable of ₹ 45.66 million (2011: ₹ 30.39) and other payables.

4. Short term provisions

Short term provisions pertain to provision for employee benefits in relation to compensated absences.

VI. Fixed assets:

Addition to the gross block of tangible fixed assets during the year is ₹ 7.89 million including ₹ 3.59 million towards computer equipment, ₹ 0.35 million towards office equipment and ₹ 3.95 million towards furniture and fittings.

Addition to gross block of intangible assets during the year amount to ₹ 0.87 million. In addition, the company capitalized internally developed software to the extent of ₹ 35.09 million (₹ 25.29 million was under development in previous year).

During the year the company tested for impairment of goodwill as required by Accounting Standard-28 Impairment of assets. Based on the test, the company recognized an impairment of ₹ 500.00 million on goodwill arising on consolidation. The impairment is a result of economic down turn and technological changes in the European and American markets where our subsidiaries operate. The carrying value of goodwill as at 31 March 2012 is ₹ 1,234.85 million (2011: ₹1,638.28 million).

VII. Long term loans and advances

Loans and advances as at balance sheet date aggregated to ₹ 19.68 million (2011: ₹ 19.11 million). It primarily consists of capital advances and security deposits to electricity, telephone department and other statutory bodies.

VIII. Current assets:

1. Current investments:

Current investments during the year amount to ₹ 17.5 million (2011: ₹ Nil). These investments consist of investment in short term debt mutual funds.

2. Trade receivables:

Trade receivables considered good and realizable as on the balance sheet date are ₹ 255.17 million (2011: ₹ 246.71 million). All the trade receivables are generally considered good and realizable and necessary provisions for doubtful and bad debts have been made. The provision for doubtful debts as at balance sheet is ₹ 18.64 million (2011: ₹ 14.22 million). Trade receivables are 20% (2011: 20%) of total revenues.

3. Cash and bank balance:

Cash and bank balances are ₹166.75 million (2011: ₹ 143.05 million). Of the above ₹ 165.52 million (2011: ₹ 130.52 million) is held in foreign bank accounts as on the balance sheet date.

4. Short term loans and advances:

Short term loans and advances as at the balance sheet date aggregated to ₹ 92.72 million (2011: ₹ 78.87 million). It primarily consists of prepaid expenses, advance income tax, indirect tax receivables and also includes provision for doubtful advances of ₹ 2.90 million (2011: ₹ 2.77 million).

5. Other current assets:

Other current assets primarily consist of unbilled revenue of ₹ 16.82 million (2011: ₹ 1.5 million)

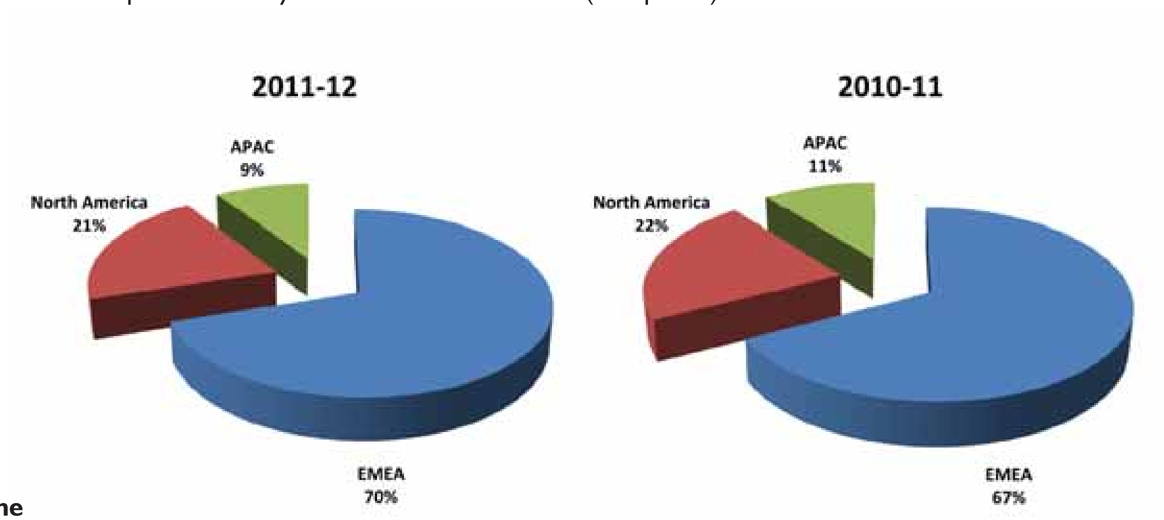
B. Results of operations

The financial results of the company on the consolidated basis for year ended 31 March 2012 and 31 March 2011 are depicted in the below table

Particulars	2012		2011		Variation	
	₹ Million	% of Revenue	₹ Million	% of Revenue	₹ Million	%
Revenue from product realted enhancements	831.97	65%	749.57	61%	82.40	11%
Annual maintenance	364.17	28%	359.82	30%	4.35	1%
Sale of licenses	78.53	6%	102.54	8%	(24.01)	-23%
Sale of third party licenses (Net)	5.91	0%	7.64	1%	(1.73)	-23%
Total Revenue from operations (A)	**1,280.58**	**100%**	**1,219.57**	**100%**	**61.00**	**5%**
Employee benefits expense	819.05	64%	814.87	67%	4.18	1%
Other expenses	317.34	25%	315.34	26%	2.00	1%
Total Expenses (B)	1,136.39	89%	1,130.21	93%	6.18	1%
Other Income (C)	12.57	1%	13.62	1%	(1.05)	-8%
Operating Profit (EBITDA) (A-B+C)	**156.76**	**12%**	**102.98**	**8%**	**53.78**	**52%**
Less: Finance costs	23.82	2%	17.75	1%	6.07	34%
Less: Depreciation and amortization	18.63	1%	17.84	1%	0.79	4%
Profit before exceptional items and tax	114.31	9%	67.39	6%	46.92	70%
Less: Exceptional items	-	-	34.08	3%	(34.08)	-100%
PBT and after exceptional items	**114.31**	**9%**	**33.31**	**3%**	**81.00**	**243%**
Less: Tax expense	40.69	3%	2.37	0%	38.32	1,616.8%
Profit/(loss) after tax and exceptional items	**73.62**	**6%**	**30.94**	**3%**	**42.68**	**138%**
Impairment of goodwill	(500.00)	(39%)	-	-	(500.00)	-100%
Net profit / (loss)	**(426.38)**	**(33%)**	**30.94**	**3%**	**(457.32)**	**-1,478.08%**

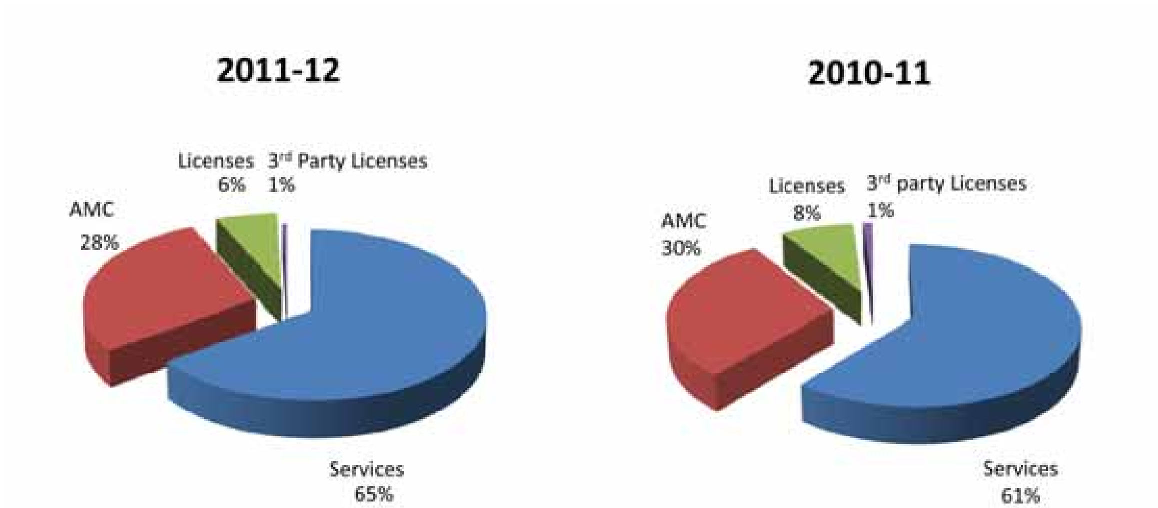
I. Revenue by geography:

Unlike other software companies in India, revenues from EMEA (Europe, Middle east and Africa) constitute the largest piece of the pie followed by North America and APAC (Asia pacific).



Income

Following chart shows the break-up of the streams of revenue.



Increase in revenue is contributed by rise in services offered, whereas license revenue has decreased due to reduced new license contracts. However we have signed many SaaS contracts during the year. Service revenue has increased primarily due to additional customization revenue from existing customer in US and Denmark.

II. Expenditure

1. Personnel Expenses:

During the year personnel expenses increased slightly by ₹ 4.18 million (1% increase). Increments and exchange rate fluctuations were expected to cause the personal cost to substantially. However reduction in the number of employees from 722 in 2010-11 to 578 in 2011-12 has negated the effect of the increments and foreign exchange fluctuations.The payroll cost was 64% of revenues compared to 67% in the previous year.

2. Other expenses:

Operating expense increased slightly during the year primarily due to the extension of office premises by 25,612 sqft with effect from November 2010 in India. Consequently the supporting cost such as office maintenance, communication expenses have also increased. The resultant increase is ₹ 20.21 million. While facility costs have risen business promotion have reduced to the tune of ₹17.25 million during the year.

3. Operating Profits:

Operating profit increased by ₹ 53.77 million in the year under review primarily due to increase in revenue and stable costs. Operating profit was 12% of the total revenues in current financial year compared to 8% in the previous year.

4. Depreciation and amortization:

Depreciation and amortization during the year is ₹ 18.63 million (2011: ₹ 17.84 million). The increase in depreciation and amortization is on account of additional amortization of internally generated software capitalized during the year.

5. Financial costs:

Interest expense was increased by ₹ 6.07 million on account of additional overdraft availed during the year and increase in exchange rates. Total interest expense was 2% of the revenues compared to 1% in the previous year.

6. Tax expense:

Tax expense includes income tax and deferred tax. Increase in the tax expense is on account of the provision for current tax on profit before tax for the year.

7. Impairment of goodwill:

In 2005 the Company acquired certain subsidiaries to strengthen its presence in the European and North American markets. However, the economic down-turn and technological changes has impacted revenues and margins much earlier than management's estimate. Consequently, during the year the Company has assessed the carrying value of goodwill in relation to such subsidiaries and has recorded an impairment of goodwill aggregating to ₹ 500.00 million for the year ended 31 March 2012 (₹ Nil previous year).

7. Liquidity:

During the year company has a) generated ₹ 109.54 million from operating activities, b) repaid borrowings of ₹ 28.49 million, c) invested in assets of ₹18.04 million, d) invested in current investment of ₹ 17.5 million. The resultant increase in cash is ₹ 21.47 million from the previous year.

8. Earnings per share:

Basic and diluted earnings per share were ₹ (11.00) (2011: ₹ 0.80).

Given below is the list of Contracts signed by Four Soft Group during the year 2011-12.

Customer Name	Product	Country
Flowerport Logistics BV	4SeTransSME	Netherlands
Hamacher Logistik BV	4SeTransSME	Netherlands
Scan Global Logistics A/S	4SaxsFreight & 4S VisiLog Enterprise License	Denmark
LDC	4SeTrans(Freight Forwarding) on SaaS	Mexico
One of the largest direct marketing multinational company	4SVisilog (Track & Trace) & Visilog plus(ILMS)	US
The Port Group	4SVisilog	US
Hankyu Hanshin Express India Private Limited	4S eTrans & 4S eAccounts (SaaS)	India
Hindustan Cargo Limited	4SeCustoms (ICES)	India
Unifo Solutions	4SeCustoms	India

DISCUSSION ON STANDALONE FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

Note: It is suggested to read at the consolidated figures as they represent the true performance of the company in view of the global operations of the organization.

A. Financial condition

I. Share capital:

The company has only two classes of shares - Equity and Preference Shares. The authorized share capital is ₹ 350 million divided into 5,60,77,600 equity shares of ₹ 5/- each and 6,96,120 14% redeemable preference shares of ₹ 100/- each.

During the year under review, there was no change in the company's authorized share capital and continues to stand at ₹ 350 million.

The Issued, subscribed and fully paid up share capital of the company is ₹ 194.66 million (2011: ₹ 194. 44 million)

II. Reserves and surplus:

During the year, your company recorded a net loss after tax of ₹32.96 million (2011: ₹ 57.25 million). The total reserves and surplus as on the balance sheet date is ₹ 731.65 million (2011: ₹ 766.05 million). There is a reversal of stock compensation expense of ₹ 1.45 million during the year. (Stock compensation expense of 2011: ₹ 2.32 million).

III. Long term provisions

Long term provision pertains to employee benefits in relation to gratuity recognized as per Accounting Standard-15 Employee benefits.

IV. Current liabilities

a. Trade payable amounted to ₹ 67.94 million (2011: ₹ 65.44 million)
b. Other current liabilities include income received in advance from customers of ₹ 25.57 million (2011:₹ 24.15), dues to subsidiaries and statutory payables.
c. Short term provision related to provision for compensated absence recognized as per Accounting Standard-15 Employee benefits.

V. Fixed Assets:

During the year under review, the total additions to the gross block of tangible assets amounted to ₹ 0.65 million. The capital expenditure was funded out of internal accruals.

(₹ in million)

S.No.	Particulars	Additions
1	Computers	0.30
2	Office equipment	0.35
	Total	**0.65**

The total additions to the gross block of intangible assets amounted to ₹ 0.63 million. During the year the company also capitalized internally developed software to the extent of ₹ 35.09 million (2011:₹ 25.29 million was under development).

VI. Non-current investments:

During the year we have not made any non-current investments. Existing investments represents investments in wholly owned subsidiaries.

VII. Long term loans and advances

Loans and advance as at balance sheet date aggregated to ₹ 10.39 million (2011: ₹ 13.27 million). It primarily consists of capital advances and security deposits to electricity, telephone and other statutory bodies.

VIII. Current Assets

1. Current investments

Current investments during the year amount to ₹ 17.5 million (2011: ₹ Nil). These investments consist of short term debt mutual funds.

2. Trade receivables

Trade receivables, considered good and realizable as of 31 March 2012 amounts to ₹ 107.50 million (2011: ₹ 90.62 million). All the trade receivables are generally considered good and realizable and necessary provisions for doubtful and bad debts have been made. The trade receivables are 37% (2011: 34%) of revenues from operations.

The provision for doubtful debts as at the balance sheet date is ₹ 1.17 million (2011: ₹ 0.48 million).

3. Cash and Bank Balances

The bank balance includes rupee accounts, foreign currency accounts and deposits. Cash and bank balances are ₹ 4.23 million (2011: ₹ 12.34 million). Cash and Bank balance constitutes 0.41% of the total assets (2011: 1.15%).

4. Short term loans and advances

a. Loans and advances to related parties have decreased to ₹ 42.01 million from ₹ 158.42 million in previous year. (Related parties consist of wholly owned subsidiaries).

b. Other loans and advances are primarily towards advance income tax, indirect tax receivables and others receivables.

5. Other Current Assets

Other current assets includes :

a. Unbilled revenues of ₹ 3.26 million (2011: ₹ 1.5 million).

b. Amount recoverable from our wholly owned subsidiary Four Soft Nordic A/s on sale of software of ₹ 68 million (2011: ₹ Nil).

B. Results of operations

I. Income

Income from sale of product and product related enhancements for the year ended 31 March 2012 and 31 March 2011.

(₹ in million)

Particulars	2012	% of revenue	2011	% of revenue
Sale of licenses	3.99	1%	22.34	8%
Annual maintenance	24.37	8%	20.17	8%
Revenue from product realted enhancements	264.50	91%	222.56	84%
Total	**292.86**	**100%**	**265.07**	**100%**

In the current year the revenues have increased by 10.48%. The increase is primarily on account of sale of eproduct services to U.S and European regions. The revenue from eproduct service is expected to increase in coming years.

II. Expenditure

The abstract of profit and loss statement is as follows: (₹ in million)

Particulars	2011-12	% of revenue	2010-11	% of revenue
Total revenue	308.61	100%	268.54	100%
Less: Employee benefits expense	273.73	89%	255.41	95%
Less: Other expenses	100.17	33%	86.30	32%
Operating profit / (loss) (EBITDA)	**(65.29)**	**-21%**	**(73.17)**	**-27%**
Less: Depreciation and amortization	11.76	4%	10.40	4%
Less: Financial costs	0.30	0%	0.99	0%
Profit / (loss) before exceptional item and tax	**(77.35)**	**25%**	**(84.56)**	**31%**
Add: Exceptional items	*68.00	22%	-	0%
Profit / (loss) before tax	**(9.35)**	**-3%**	**(84.56)**	**-31%**
Less: Tax expense	23.61	8%	(27.31)	-10%
Profit / (loss) after tax	**(32.96)**	**-11%**	**(57.25)**	**-21%**

* represents the revenue from sale of intellectual property rights for the customs product for Europe to Four Soft Nordic A/s.

1. Employee benefits expense:

During the year under review, the employee benefits expenses were at 89% of its total revenue as compared to 95% during the previous year. The increase in employee benefits expense is on account of yearly increments to the tune of 10% to 11%. However the increase is less than the aforesaid 10% to 11% as the number of employees has reduced from 595 in 2010-11 to 454 in 2011-12

2. Other expenses:

Other expense primarily consists of rent expense, office maintenance and travelling expense. Increase in other expense is primarily due to the extension of office premises by 25,612 sqft from November 2010.

3. Operating loss

During the year the company incurred an operating loss of ₹ 65.28 million (2011: ₹ 73.17 million), representing 21% (2011: 27%) of total revenues. Though we have improved our sales in the current year, we are yet to make operating profits. Based on strong pipeline of our next generation products we expect the trend to reverse in the coming years.

4. Depreciation and amortization

The company provided a sum of ₹11.76 million (2011: ₹ 10.40 million) towards depreciation representing 4% of total revenues (2011: 4%). The increase in depreciation and amortization is on account of additional amortization of internally generated software capitalized during the year.

5. Financial expenses

Financial expenses primarily consist of bank charges.

6. Provision for tax

In the current year the company incurred tax loss. The company has reversed deferred tax asset as per accounting standards in the current year.

7. Net loss

The net loss of the company amounted to ₹ 32.96 Million for the current financial year and net loss of ₹ 57.25 million in the previous year.

8. Liquidity

As of 31 March 2012 the company had cash and cash equivalents to the extent of ₹ 4.23 million (2011: ₹ 12.34 million) and ₹ 17.50 million (2011: ₹ Nil) in short term debt mutual funds.

9. Earnings per equity share (basic & diluted)

Earnings per share are computed on basis of number of common stock outstanding as on the date of balance sheet. Basic and diluted earnings per share is ₹ (0.85) (2011: ₹ (1.48)).

Corporate Governance Report

Report on Corporate Governance forming part of Directors Report of Four Soft Ltd for the year ended 31 March 2012 pursuant to Annexure I C (Mandatory Requirements) read with Clause 49 of the Listing Agreement with the Stock Exchanges in India.

Corporate governance philosophy

Corporate governance is a continuing process which ensures integrity, transparency and accountability in dealing with employees, shareholders, customers and the community at large. Companies across the world practice the concept of Corporate Governance in order to protect stakeholders' interest including shareholders, employees, customers, suppliers and vendors. Companies adopt corporate governance policies to bring transparency, accountability and fairness in business practices.

Four Soft in its continuous initiative and drive towards good governance and accountability, has upheld the corporate governance through ethical business practices, integrity and transparent business operations. Four Soft Ltd has full support of the Board and employees in the corporate governance initiative.

Your directors place on record the Corporate Governance report for the year 2011-2012.

A. Board Composition

1. Size and composition of the Board

The Company has an optimum combination of executive and non-executive directors with more than fifty per cent of the Board comprising of non-executive directors. All independent non-executive directors comply with the requirement of independent directors definition of Clause 49 of the Listing Agreement entered into with the stock exchanges.

The names and categories of the directors on the Board, their attendance at Board meetings held during the year and the number of directorships and committee memberships held by them in other companies is given below.

Name of the Director	Category of Directorship	No. of shares held in the company as on 31.03.2012	Number of Board meetings		Attendance at last AGM	No. of Directorships in other Companies			No. of Committee Positions held in		
						Indian					
			Held	Attended		Public Companies	Private Companies	Foreign Companies	This Company	Other Companies	Committee Chairman
Palem Srikanth Reddy	Executive Chairman and Managing Director	8704158	6	6	Yes	-	3	9	1	-	-
KV Ramakrishna	Non-Executive and Nominee Director	Nil	6	4	No	1	2	-	4	3	-
Srinivas Prasad	Non-Executive and Independent Director	Nil	6	6	Yes	-	-	-	2	-	-
Dr.T.R.Sivarama krishnan	Non-Executive and Independent Director	22	6	-	No	-	-	-	3	-	-
Mohan Krishna Reddy	Non-Executive and Independent Director	100	6	4	Yes	1	5	-	3	-	-
Jorgen Winther Nielsen*	Non-executive Director	Nil	6	#1	No	-	-	3	-	-	-
Prof. Janat Shah	Non-Executive Independent Director	Nil	6	#3	-	1	1	-	3	-	-
Soujanya Reddy	Non-Executive Director	155201	4	4	-	-	2	-	-	-	-

* Mr. Jorgen Winther Nielsen resigned from his Directorship on 08 December 2011

One meeting through tele conference

2. Particulars of directors appointed / reappointed during the year

As per provisions of Article 88, Mr. Srinivas Prasad and Dr. T.R.Sivaramakrishnan, directors retire at the ensuing general meeting and being eligible, offer themselves for re-appointment.

The retiring directors seek re-appointment at the ensuing Annual General Meeting and the Board recommends the re-appointment of the retiring Directors.

B. Board meetings

Six Board meetings were held during the financial year ended 31 March, 2012. The dates of the Board meetings are 29 April 2011, 27 May 2011, 09 Aug 2011, 14 November 2011, 08 December 2011 and 09 February 2012.

The Company Secretary in consultation with the Chairman & Managing Director circulates the agenda papers for Board meetings well in advance before the meeting. The directors actively participate in the discussions at the Board meetings. The company has granted leave of absence to directors from attending Board meetings after due requisition from them.

C. Board Committees

The Company presently has four committees - the Audit Committee, Remuneration/Compensation Committee, Share Transfer and Investor Grievance Committee and the Nomination Committee. Majority of directors who constitute the committee members are independent directors. The Chairman of the Board in consultation with the Company Secretary decides the frequency of the Board and committee meetings. Recommendations of the committee are submitted to the Board for approval.

1. AUDIT COMMITTEE

The audit committee reviews, acts and reports to Board of Directors on the following matters:

- Auditing and accounting matters, including appointment of statutory and internal auditors
- Compliance with legal and statutory requirements
- Integrity of company financial statements
- Scope of annual audit, fees paid to statutory and internal auditors
- Statement of related party transactions.
- Performance of internal audit functions, accounting standards.

The financial results are submitted to the audit committee and the Board. The audit committee reviews the un-audited quarterly, half-yearly and annual financial results with the management before submitting to the Board for its approval. The company's Managing Director, Chief Financial Officer, its statutory auditors and its internal auditors are permanent invitees to the audit committee meetings.

The detailed charter of the Committee as per the revised Clause 49 of the Listing Agreements with the stock exchanges read with Section 292A of the Companies Act, 1956 is posted in our website www.four-soft.com/investors/corporategovernance.

The audit committee comprises of independent and non-executive directors. All the members of the audit committee are financially literate and the Chairman Dr.T.R. Sivaramakrishnan is a financial management expert.

Four meetings of audit committee were held during the year on 27 May 2011, 09 August 2011, 14 November 2011 and 09 February 2012.

Following are the members of the audit committee and the number of meetings attended by each member of audit committee is as follows:

Name of Members of Audit Committee	Designation	Number of meetings held	Number of meetings attended
Dr.T.R. Sivaramakrishnan	Chairman, Non-executive Independent Director	4	-
Srinivas Prasad	Member, Non-Executive and Independent Director	4	4
Mohan Krishna Reddy	Member, Non-Executive and Independent Director	4	3
KV Ramakrishna	Member , Non-Executive and Nominee Director	4	3
Prof. Janat Shah	Member, Non-Executive and Independent Director	4	2

2. Remuneration Committee/Compensation Committee

The company has constituted a Remuneration/Compensation Committee and the brief terms of reference of Remuneration /Compensation Committee are:

(a) To determine salaries, benefits, and stock option grants to directors of the Company.

(b) To recommend the ESOP Trust under the ESOP plan drawn from time to time.

The Remuneration/Compensation committee comprises of mainly independent and non-executive directors. Two meetings of remuneration committee were held during the year on 29 April 2011 and 29 August 2011. Following are the members of the Remuneration / Compensation Committee and the number of meetings attended by each member of committee is as follows:

Name of Director	Designation	Number of meetings held	Number of meetings attended
Dr.T.R.SivaRamakrishnan	Chairman	2	-
KV Ramakrishna	Member	2	2
Mohan Krishna Reddy	Member	2	2

Executive Director of the company is paid remuneration as per limits specified under Schedule - XIII of Companies Act, 1956. Details of remuneration paid to Palem Srikanth Reddy, Chairman & Managing Director of the company is specified under the relevant section in the annual report. Payment of this remuneration has the necessary sanction of the shareholders and it is in accordance with the provisions of Companies Act, 1956. The Company has received an approval from the Central Government to pay a remuneration of ₹18,00,000/- per annum i.e. ₹ 1,50,000/- per month to Mr.Palem Srikanth Reddy. The service contract is for a period of 5 years w.e.f 18 July 2008. There is no severance fee.

The remuneration payable is always recommended by Remuneration Committee and is approved by the Board and shareholders of the Company. Sitting Fees are paid to independent non-executive directors for attending every meeting of the Board of Directors (other than committee meetings). Sitting fees payable to non-executive directors of the company for attending Board meetings were increased from ₹ 5,000 per meeting to ₹20,000 per meeting in the Board meeting held on 12 November 2010. Presently, sitting fees is payable to Prof. Janat Shah, Mr.Mohan Krishna Reddy and Mr.Srinivas Prasad as per the resolution taken in the Board meeting dated 12 November 2010.

The Non-executive directors do not draw any remuneration from the company except sitting fees which are paid at the rate of ₹ 20,000 per person per Board meeting subject to a maximum ceiling limit of ₹ 100,000 per person in a financial year. No sitting fees is payable for attending the committee meetings.

Details of sitting fees paid to the directors for the year 2011-12 are given below:

Name of the Director		Sitting fees paid in ₹
a.	Srinivas Prasad	60,000
b.	Mohan Krishna Reddy	80,000
c.	Prof. Janat Shah	40,000

It is the policy of your company to remunerate its executives on par with industry standards commensurate with qualification and experience.

The Remuneration committee also oversees the recommendation and administration of ESOP schemes. None of the directors are granted any stock options by the company.

Number of shares held by the directors of the company as on 31 March 2012 is as follows:

Name of the Director		No. of shares
a.	Palem Srikanth Reddy	8,704,158
b.	KV Ramakrishna	Nil
c.	Dr.T.R.Sivaramakrishnan	22
d.	Srinivas Prasad	Nil
e.	Mohan Krishna Reddy	100
f.	Joergen Winther Nielsen*	Nil
g.	Prof. Janat Shah	Nil
h.	Soujanya Reddy (director w.e.f 09 August 2011)	155,201

* Resigned on 08 December 2011

3. Share Transfer and Investor Grievance Committee

The Investor Grievance Committee administers the following:

- Transfer, transmission of shares
- Issue of duplicate share certificates, as and when required
- Redressal of shareholders / investors grievances from time to time.

The investor grievance committee consists of following independent and non-executive directors and the committee met four times during the year 2011-12 on the following dates: 27 May 2011, 09 August 2011, 14 November 2011 and 09 February 2012.

Name of Director	Designation	Number of meetings held	Number of meetings attended
Dr.T.R. Sivaramakrishnan	Chairman	4	-
Srinivas Prasad	Member	4	4
Mohan Krishna Reddy	Member	4	3
K.V. Ramakrishna	Member	4	3
Prof. Janat Shah	Member	4	3

It is also noted that the shareholding in dematerialization mode 95.39% is as against 94.86% during the previous year.

a. Name and designation of compliance officer:

Mr. A.Sridhar, Company Secretary

b. Status of share transfers as on the date:

There are no pending share transfers as on the date of this report.

c. Details of investor correspondence/ grievances for the year 2011-2012

The break-up of the complaints / grievances received and redressed are given below:

Non receipt of Annual Report	2
Non receipt of dividend warrant	5
Total complaints received and redressed	7

There has been no shareholder's complaint unresolved during the year.

4. Nomination Committee

The Nomination Committee was constituted by the Board of directors. The Nomination Committee administers the following:

- Selecting and appointing independent directors.
- Evaluation of Board and its members.
- Draw up skill sets required on the Board based on the Company's current and future
- Strategic priorities identify and evaluate candidates that meet these predefined criteria.

Members of Nomination Committee

Palem Srikanth Reddy	Chairman
K.V.Ramakrishna	Member
Prof. Janat Shah	Member

There were no meetings of Nomination Committee held during the year under report.

D. General Body Meetings

Details of the last three Annual General Meetings, with date, time and venue,

Financial Year	*SRs	Date	Time	Venue
2008-09	1	25 September 2009	11.00a.m.	Chip Auditorium, Cyber Towers, Hitech City, Hyderabad - 81.
2009-10	2	28 September 2010	11.00 a.m.	Chip Auditorium, Cyber Towers, Hitech City, Hyderabad - 81.
2010-11	-	28 September 2011	11.00 a.m.	Chip Auditorium, Cyber Towers, Hitech City, Hyderabad - 81.

*SRs - Number of special resolutions passed.

An Extra-Ordinary General Meeting was held on 21 December 2009 at the Chip Auditorium, Cyber Towers, Hitech City, Hyderabad-81 for seeking approval for allotment of equity shares/options under Employee Stock Option Scheme-2009 and Employee Stock Purchase Scheme - 2009.

No resolution was passed through postal ballot during last year.

DISCLOSURES:

i) There have been no materially significant transactions, pecuniary transactions or relationships between the company and directors, management, subsidiary or related parties except those disclosed in the financial statements for the year ended 31 March 2012.

ii) The company has followed the Accounting Standards prescribed by The Companies (Accounting Standards) Rules, 2006, as amended in preparation of financial statements.

iii) The company has complied with the requirements of the Stock Exchanges, SEBI and other statutory authorities on all matters relating to capital markets during the last three years. No penalties or strictures have been imposed on the company by stock exchange(s) or SEBI or any statutory authority on any matter related to capital markets during last three years.

iv) The company has complied with all the applicable mandatory requirements of the revised Clause 49 of the Listing Agreement and also has complied with the following non-mandatory requirements as prescribed in Annexure I D to Clause 49 of the Listing Agreement with the stock exchanges:

(a) The company has set up a Compensation (Remuneration) Committee. Please see the Para on Compensation Committee for details.

(b) During the period under review, there is no audit qualification in the company's financial statements. The company continues to adopt best practices to ensure regime of unqualified financial statements.

(c) The company has formulated a Whistleblower Policy which provides a mechanism for employees to raise concerns that relate to violation of the Code of Conduct, accounting, internal accounting controls, auditing matters and applicable national and international laws including statutory / regulatory rules and regulations. No personnel has been denied access to the audit committee.

(d) The Board of Directors will explore the possibility of introducing all non-mandatory items in a need-based manner.

Means of communication

i. The quarterly, half-yearly and annual financial results are declared to both NSE and BSE immediately after the conclusion of the Board meetings in which the results were considered.

ii. The Financial results are normally published in Financial Express / Business Standard and Andhra Prabha/ Andhra Bhoomi newspapers. The results are also posted on the company website www.four-soft.com. The website also displays all official news releases and presentations made to institutional investors or to analysts.

iii. Management discussion and analysis report forms part of the annual report.

GENERAL SHAREHOLDER INFORMATION

1.	Date, time and venue of 13th AGM	29 September 2012 at 10:00 A.M The Chip Auditorium, Cyber Towers, Hitech City, Madhapur, Hyderabad - 500 081, Andhra Pradesh, India
2.	Financial calendar	2012-13 The company follows 'April to March' as the Financial Year. The results of every quarter are declared within 45 days from the end of the quarter. The Audited Annual Results are usually declared before May 31st every year.
3.	Dates of book closure	23 September 2012 to 29 September 2012 (both days inclusive)
4.	Listing on stock exchanges	National Stock Exchange of India Ltd. (NSE) and the The Stock Exchange, Mumbai (BSE). Listing fees for the year 2012-13 have been paid to both the stock exchanges.
5.	Stock code	Bombay Stock Exchange Ltd (BSE) : 532521 National Stock Exchange of India Ltd (NSE) : foursoft
6.	Electronic connectivity	National Securities Depository Ltd (NSDL) & Central Depository Services (India) Ltd. INE218G01017
7.	Registered office	5Q1 A3, 5th floor, Cyber Towers, Hitec City, Madhapur, Hyderabad - 500 081, A.P India Tel: +91-40-2310 0600, Fax: +91-40-2310 0602 Website: www.four-soft.com
8.	Registrar and share transfer agents	Share transfers in physical form and other communication regarding share transfer, certificates, dividends, change of address, etc., may be addressed to: Karvy Computershare Private Limited UNIT: Four Soft Limited Plot No. 17-24, Vittal Rao Nagar Madhapur, Hyderabad - 500 081, India Tel : 040 - 44655000 Fax : 23420814 Email : einward.ris@karvy.com
9.	Share transfer system	Applications for transfer of shares held in physical form are received at the office of the registrars and share transfer agents of the company. Shares lodged for physical transfer would be registered within a period of 8 days on proactive measure and duly transferred. It would be dispatched to the concerned shareholders within a week from date of approval of transfers by the Share Transfer Committee. For this purpose, the Share Transfer Committee meets as often as required. Adequate care is taken to ensure that no transfers are pending for more than a fortnight. Shares are dematerialized and sent to shareholders concerned within 14 days. Pursuant to Clause 47 (c) of the Listing Agreement with stock exchanges, certificates on half-yearly basis are issued by a Company Secretary-in-Practice for due compliance with share transfer formalities by the company. Pursuant to the SEBI (Depositories and Participants) Regulations, 1996, certificates have been received from a Company Secretary-in-Practice for timely dematerialization of the Company's shares and for conducting a secretarial audit on a quarterly basis for reconciliation of the company's share capital.

10.	Dematerialization of shares and liquidity	95.39% of the company's paid-up equity share capital has been dematerialized upto 31 March 2012. Trading in equity shares of the company is permitted only in dematerialized form.
11.	Outstanding ADRs / GDRs / Warrants and convertible instruments, conversion date and likely impact on equity	Not applicable
12.	Investor correspondence	1. For any assistance regarding dematerialization of shares, share transfer, transmission, change of address, non-receipt of dividend or any other query relating to shares or for any generation correspondence, contact **Karvy Computershare Pvt. Ltd.** **UNIT: Four Soft Limited** Plot No. 17-24, Vittal Rao Nagar Madhapur, Hyderabad - 500 081, India Tel : 040 - 44655000 Fax : 23420814 Email : einward.ris@karvy.com 2. **Mr. A.Sridhar** Company Secretary & Compliance Officer Four Soft Limited 5Q1 A3, 5th floor, Cyber Towers, Hitec City, Madhapur, Hyderabad - 500 081, A.P India Tel: 040-66875000, Fax: 040- 23100602 Email: companysecretary@four-soft.com 3. For queries on Financial Statements **Mr. Nrupesh Kumar** General Manage - Finance, Four Soft Limited 5Q1 A3, 5th floor, Cyber Towers, Hitec City, Madhapur, Hyderabad - 500 081, A.P India Tel: 040-66875000, Fax: 040- 23100602 Email: nrupesh.k@four-soft.com

13. Stock market data

Monthly closing high and low quotations of shares traded on National and Bombay Stock Exchanges for the year 2011-12 given below

Year 2011-12	NSE			BSE		
Month	**High (Rs)**	**Low (Rs)**	**Shares traded**	**High (Rs)**	**Low (Rs)**	**Shares traded**
April	20.25	15.05	10,60,715	20.20	15.20	6,68,648
May	16.00	13.30	5,95,148	16.90	13.40	2,63,835
June	15.35	12.90	8,04,905	16.20	12.50	4,06,939
July	14.00	12.35	6,41,865	13.99	12.40	2,48,582
August	13.60	08.30	5,73,330	13.58	8.50	3,52,520
September	12.50	09.45	5,61,272	12.49	9.40	3,19,752
October	10.30	08.90	1,08,026	10.38	9.00	72,353
November	10.10	07.55	1,48,440	10.10	7.55	90,397
December	08.80	07.30	1,99,304	8.65	7.25	89,920
January	10.50	07.70	2,11,429	10.40	7.76	67,665
February	10.50	09.00	2,15,014	10.44	9.05	1,27,424
March	10.00	07.45	2,68,351	10.43	7.95	1,85,377

14. Distribution of shareholding on the basis of categories of shareholders as on 31 March 2012 is as under:

Category code	Category of shareholder	No. of shareholders	Total No. of shares	Percentage to total shares
(A)	**Shareholding of promoter and Promoter Group**			
(1)	**INDIAN**			
(a)	Individual /HUF	2	8,704,158	22.34
(b)	Others	4	362,277	0.92
	Sub-Total A(1) :			
(2)	**FOREIGN**			
(a)	Individuals (NRIs/Foreign Individuals)			
(b)	Bodies corporate			
	Sub-Total A(2) :	**6**	**9,066,435**	**23.26**
	Total shareholding of promoter and promoter group			
	Total A=A(1)+A(2)	**6**	**9,066,435**	**23.26**
(B)	**PUBLIC SHAREHOLDING**			
(1)	**INSTITUTIONS**			
(a)	Financial institutions /banks	1	300	0
(b)	Foreign institutional investors	1	190,022	0.48
(c)	Venture capital funds	1	3,949,447	10.13
	Sub-Total B(1) :	**3**	**4,139,769**	**10.61**
(2)	**NON-INSTITUTIONS**			
(a)	Bodies corporate	434	2,487,058	6.38
(b)	Individuals			
	(i) Individuals holding nominal share capital upto ₹1 lakh	22,148	10,924,274	28.03
	(ii) Individuals holding nominal share capital in excess of ₹1 lakh	62	6,268,125	16.08
(c)	Others			
	Foreign bodies	2	1,596,308	4.09
	Trusts	3	245,008	0.62
	Overseas corporate bodies	4	1,900,101	4.87
	Non resident indians	117	837,916	2.15
	Foreign nationals	2	1,478,095	3.79
	Clearing members	31	16,655	0.04
	Sub-Total B(2) :	**22,809**	**25,753,540**	**66.05**
	Total Public Shareholding B=B(1)+B(2) :	**22,812**	**22,893,309**	**58.76**
	Total (A+B) :	**22,818**	**38,959,744**	**100**

15. Distribution of shareholding as on 31 March 2012 pursuant to Clause 35 of the Listing Agreement is as under:

No of equity shares held	No of shareholders	% of shareholders	Total shares	Amount of shares	% of total amount
1 - 5000	22,387	98.11	8,896,926	44,484,630	22.84
5001 - 10000	231	1.01	1,728,051	7,932,395	4.07
10001 - 20000	95	0.42	1,315,829	7,296,500	3.74
20001 - 30000	29	0.13	714,359	5,530,780	2.84
30001 - 40000	14	0.06	508,989	2,738,545	1.41
40001 - 50000	11	0.05	492,228	3,918,675	2.01
50001 - 100000	18	0.08	1,300,159	6,579,145	3.38
100001 and above	33	0.14	24,003,203	135,094,690	69.35
TOTAL:	**22,818**	**100.00**	**38,959,744**	**194,798,720**	**100.00**

16. Details of demat suspense account

Financial year	Aggregate No of shareholders and outstanding shares as on 01 April 2011	No of shareholders who approached the company for transfer of shares during the year	No of shareholders to whom shares were transferred	Aggregate No of shareholders and outstanding shares as on 31 March 2012
2011-2012	25 shareholders and 5200 outstanding shares	-	-	22 shareholders and 4500 outstanding shares

Procedure for claiming shares lying in the unclaimed suspense account

In terms of Clause 5A of the Listing Agreement, unclaimed shares shall be transferred to an "Unclaimed Suspense Account" opened by the company for the purpose and the shares lying therein shall be dematerialized with a depository participant. The voting rights of such shares shall remain frozen till the rightful owner claims the shares.

Accordingly the company has opened a demat account with Depository Participant Karvy Stock Broking Limited.

Allottees who have not yet claimed their shares are requested to make their claim to the secretarial department at the Registered office of the company situated at 5Q1 A3, 5th floor, Cyber Towers, Hitec City, Madhapur, Hyderabad - 500 081, A.P India.

Other information

A. Unclaimed dividends

Under the Companies Act, 1956, dividends, that are unclaimed for a period of seven years is required to be transferred to the Investor Education and Protection Fund administered by the Central Government. We provide below a table providing for the dates of declaration of dividend and the due dates for transfer of un-claimed dividends to Investor Education and Protection Fund (IEPF).

Financial Year	Date of Declaration of Dividend	Unclaimed Amount ₹	Due date for transfer to IEPF
2005-06	29 September 2006	1,74,011.00	6 November 2013
2008-09	10 August 2009	94,449.00	10 September 2016

After completion of seven years, as per the above table, no claims shall lie against the said fund or the company for the amounts of dividend so transferred nor shall any payment be made in respect of such claims.

An unclaimed amount of ₹ 2,30,647 that was lying in the IPO Refund account of the company for the past seven years was transferred to the Investor Education and Protection Fund on 03 November 2011

B. Electronic clearing service / mandates /bank details

The members may please note that electronic clearing service details contained in the Benpos downloaded from NSDL and CDSL would be reckoned for dividend whenever declared. Shareholders desirous of modifying those instructions should write to their respective Depository participants.

C. Nomination in case of shares held in physical form

The Companies Act, 1956 provides facility for making nomination by shareholders in respect of their holding of shares. Such nomination greatly facilitates transmission of shares from the deceased shareholder to his/her nominee without having to go through the succession certificate/probate of will process.

D. Secretarial Audit

A qualified Company Secretary in practice has carried out quarterly secretarial audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd. (CDSL) and the total issued and listed capital. The audit confirms that the total / paid up capital is in agreement with the aggregate total number of shares in physical form and the total number of dematerialized shares held in NSDL and CDSL.

The Certificate dated 6 August 2012 obtained from Mr. S Sarveswara Reddy, SS Reddy & Associates, Company Secretaries in whole-time practice is given at relevant page in annual report.

E. CEO / CFO certification

As required under Clause 49 V of the Listing Agreement with the stock exchanges, the Chairman & Managing Director and the Chief Financial Officer of the company have certified to the Board regarding financial statements for the year ended 31 March 2012.

F. Code of Conduct

All the directors and senior management personnel have affirmed compliance with the Code of Conduct/Ethics as approved and adopted by the board of directors and a declaration to that effect signed by the Managing Director is attached and forms part of this report. These codes have been posted on the company's website www.four-soft.com.

G. Code of insider trading

In compliance with the provisions of SEBI (Prohibition of Insider Trading) Regulations, 1992, (as amended from time to time) and to preserve the confidentiality and prevent misuse of unpublished price sensitive information, the company has adopted and implemented a Code of Conduct for prohibition of insider trading for directors and specified employees of the company, relating to dealing in the shares of the company. This code lays down the guidelines which provide for periodical disclosures from designated employees as well as pre-clearance of transactions by such persons. The company regularly monitors the transactions undertaken by the employees and also intimates the stock exchanges about the transactions of the designated employees as mandated under the regulations.

H. Whistleblower policy

Your company has put in place a whistleblower policy. In terms of this policy, all employees are encouraged to report any instance/s of unethical behavior, fraud, violation of the company's Code of Conduct or any behavior which may otherwise be inappropriate and harmful to the company. The policy provides a mechanism for employees to raise concerns that relate to violation of the Code of Conduct, accounting, internal accounting controls, auditing matters and applicable national and international laws including statutory / regulatory rules and regulations. This policy has been communicated to all employees and has also been posted on the company's intranet for ready access. The company further confirms that no personnel have been denied access to the audit committee.

I. Fraud detection policy

Your company has also put in place a Corporate Fraud Detection Policy to facilitate the development of controls which will aid in the detection and prevention of fraud against Four Soft Limited (company). It is the intent of the company to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of controls and conduct of investigations.

REQUEST TO INVESTORS

'Green initiative'

The Ministry of Corporate Affairs ("MCA") has taken a "Green Initiative in Corporate Governance" by allowing paperless compliances by companies through electronic mode. In accordance with the recent circular no. 17/2011 dated 21 April 2011 and circular no. 18/2011 dated 29 April 2011 issued by MCA, companies can now send various notices and documents, including annual report, to its shareholders through electronic mode to the registered e-mail addresses of shareholders.

It is a welcome move from the government to contribute towards a greener environment. This will be an opportunity for every shareholder to join hands with the company in its corporate social responsibility initiatives.

Advantages of opting for E-communication:

- Receive communication promptly
- Reduce paper consumption and save trees
- Eliminate wastage of paper
- Receipt of communication promptly
- Avoid loss of documents in postal transit
- Saving costs on paper and postage

Accordingly, the company had sent e-mails through our Registrars and Share Transfer Agents M/s. Karvy Computershare Pvt. Ltd. to the shareholders who have updated their email addresses with their Depository Participants (DP) requesting them to intimate their preference (physical or soft copy) for the Annual Report 2012. The company has forwarded the Annual Report 2012 including the notice inviting for the Annual General Meeting 2012 to the shareholders based on their preference.

Appreciating the spirit of the circular issued by MCA, henceforth, we intend to dispatch the various notices/documents including audited financial results, directors' report, auditor's report, general meeting notices etc. to the email id of shareholders who have updated their email addresses with their depository participants. We request you to update your email address with your depository participant to ensure that the annual report and other documents reach you on your preferred email.

In case you desire to register a different e-mail ID, please update the same with your depository participant. Please also keep your DP informed as and when there is a change in your email address.

Please note that documents sent through email will also be available on the company's website www.four-soft.com and physical copies of the same will also be available at the registered office as mentioned above for inspection during office hours.

In case you still desire to receive the above mentioned documents physically, the company would provide the same at no extra cost. For receiving documents in physical form, please mail your requests to companysecretary@four-soft.com.

As a step towards greater shareholder participation and sharing of material information related to the company, your company intends to acquaint the shareholders with all material events and financial performance of the company through email on a regular basis.

Investors holding shares in electronic form are requested to deal only with their respective depository participant for change of address/ email id, nomination facility, bank account number, etc.

As required by the SEBI, investors shall furnish details of their respective bank account number and name and address of the bank for incorporating in the dividend warrants to reduce the risk to them of fraudulent encashment.

Sd/-

Place : Hyderabad
Palem Srikanth Reddy
Date : 10 August 2012
Chairman & Managing Director

CEO/CFO certification

We hereby certify that:

(a) We have reviewed financial statements and the cash flow statement for the year ended 31 March 2012 and that to the best of our knowledge and belief:

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

  (ii) These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

(b) There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.

(c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies."

(d) There have been no instances of:

  (i) Significant changes in internal control over financial reporting during the year 2011-12;

  (ii) significant changes in accounting policies during the year; and

  (iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting."

Sd/-	Sd/-
Palem Srikanth Reddy	**Biju Nair**
Chairman & Managing Director	Chief Financial Officer

Place: Hyderabad
Date : 26 May 2012.

DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT

As required under Clause 49 (D) (ii) of the Listing Agreement with Stock Exchange in India, I, Palem Srikanth Reddy, Chairman and Managing Director of the company hereby declare and confirm to the best of my knowledge that the Board members and senior management team of the company have affirmed the compliance with the Business Code of Conduct and Ethics as on 31 March 2012.

Sd/-

Palem Srikanth Reddy

Chairman & Managing Director

Place: Hyderabad
Date : 26 May 2012.

COMPLIANCE CERTIFICATE

To
The Members of
Four Soft Ltd.
Hyderabad

We have examined the compliance of conditions of corporate governance by Four Soft Limited, for the year ended 31 March 2012 as stipulated in Clause 49 of the Listing Agreement of the company with the stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination has been limited to a review of procedures and implementations thereof, adopted by the company for ensuring the compliance with the conditions of corporate governance as stipulated in the said clause. 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 explanation given to us and the representation made by the directors and the Management, we certify that the company has complied with the conditions of corporate governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

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

For S.S. REDDY & ASSOCIATES
Company Secretaries in whole-time practice

Sd/-
S.Sarweswar Reddy

Place: Hyderabad
Date : 6 August 2012.

Auditors' Report

To the Board of Directors of Four Soft Limited

1. We have audited the attached Consolidated Balance Sheet of Four Soft Limited, its subsidiaries, (hereinafter collectively referred to as the 'Group'), as at 31 March 2012, and also the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year ended on the date annexed thereto (collectively referred as the 'Consolidated Financial Statements'). These Consolidated Financial Statements are the responsibility of the Group's management and have been prepared by the Group's management on the basis of separate financial statements and other 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 the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Consolidated 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:

   (a) the Consolidated Financial Statements have been prepared by the Group's management in accordance with the requirements of Accounting Standard 21 on 'Consolidated Financial Statements', notified pursuant to the Companies Accounting Standards Rules, 2006 (as amended).

   (b) We did not audit the financial statements of certain subsidiaries whose financial statements reflect total assets (after eliminating intra-group transactions) of ₹ 539,343,765 as at 31 March 2012; total revenues (after eliminating intra-group transactions) of ₹ 1,288,309,202 and net cash flows aggregating to ₹ 26,502,757 for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us by management, and our opinion is based solely on the reports of the other auditors.

4. Based on our audit and on consideration of reports of other auditors on the separate financial statements and on the other financial information of the subsidiaries and to the best of our information and according to the explanations given to us, in our opinion, the Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India, in case of:

   (a) the Consolidated Balance Sheet, of the state of affairs of the Group as at 31 March 2012;

   (b) the Consolidated Statement of Profit and Loss, of the loss for the year ended on that date; and

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

For **Walker, Chandiok & Co**
Chartered Accountants
Firm Registration No: 001076N

per **Sanjay Kumar**
Partner
Membership No: 207660

Place : Hyderabad
Date : 26 May 2012

Consolidated Balance Sheet as at 31 March 2012

(All amounts in ₹ except otherwise stated)

	Notes	As at 31 March 2012	As at 31 March 2011
Equity and liabilities			
Shareholders' funds			
Share capital	3	194,661,785	194,435,085
Reserves and surplus	4	1,033,858,464	1,387,380,366
Total shareholders' funds		**1,228,520,249**	**1,581,815,451**
Non-current liabilities			
Long-term borrowings	5	237,626,854	290,788,755
Long-term provisions	6	5,063,635	5,451,587
Total non-current liabilities		**242,690,489**	**296,240,342**
Current liabilities			
Short-term borrowings	7	58,006,238	14,633,475
Trade payables		115,942,016	121,932,461
Other current liabilities	8	217,381,055	174,712,286
Short-term provisions	9	87,599,737	70,808,288
Total current liabilities		**478,929,046**	**382,086,510**
Total		**1,950,139,784**	**2,260,142,303**
Assets			
Non-current assets			
Fixed assets			
- Tangible assets	10	54,864,507	60,738,505
- Intangible assets	11	1,273,825,469	1,646,936,227
- Intangible asset under development		-	25,291,078
		1,328,689,976	**1,732,965,810**
Deferred tax assets(net)	12	52,774,954	37,879,269
Long-term loans and advances	13	19,682,282	19,113,214
Total non-current assets		**1,401,147,212**	**1,789,958,293**
Current assets			
Current investments	14	17,500,000	-
Trade receivables	15	255,171,321	246,714,597
Cash and bank balances	16	166,754,366	143,050,503
Short-term loans and advances	17	92,719,919	78,872,542
Other current assets	18	16,846,966	1,546,368
Total current assets		**548,992,572**	**470,184,010**
Total		**1,950,139,784**	**2,260,142,303**

The accompanying notes are an integral part of the financial statements.

This is the Consolidated Balance Sheet referred to in our report of even date.

For **Walker, Chandiok & Co**
Chartered Accountants

per **Sanjay Kumar**
Partner

Place : Hyderabad
Date : 26 May 2012

For and on behalf of the Board of Directors of
Four Soft Limited

Palem Srikanth Reddy
Chairman & Managing Director

Srinivas Prasad Edara
Director

Biju S. Nair
Chief Financial Officer &
Chief Operating Officer

Seena Sankar
Company Secretary

Place : Hyderabad
Date : 26 May 2012

Consolidated Statement of Profit and Loss for the year ended 31 March 2012

(All amounts in ₹ except otherwise stated)

		Notes	For the year ended 31 March 2012	2011
I.	Revenue from operations	19	1,280,580,795	1,219,578,329
II.	Other income	20	12,568,603	13,617,260
III.	**Total revenue**		**1,293,149,398**	**1,233,195,589**
IV.	Expenses:			
	Employee benefits expense	21	819,050,144	814,871,244
	Finance costs	22	23,822,643	17,753,019
	Depreciation and amortization	10, 11	18,633,455	17,841,726
	Other expenses	23	317,337,918	315,337,594
	Total expenses		**1,178,844,160**	**1,165,803,583**
V.	Profit before exceptional items and tax		114,305,238	67,392,006
VI.	Exceptional items	24	(500,000,000)	(34,075,106)
VII.	Profit/(Loss) before tax		(385,694,762)	33,316,900
VIII.	Tax expense:			
	(a) Current tax		52,706,084	36,280,440
	(b) Deferred taxbenefit		(12,020,795)	(33,905,622)
Tax expense			**40,685,289**	**2,374,818**
Profit/(Loss) for the year			**(426,380,051)**	**30,942,082**
Earnings/ (loss) per equity share (EPES)				
Basic and diluted earnings/(loss) per share		25	(11.00)	0.80

The accompanying notes are integral part of the consolidated financial statements.
This is the Consolidated Statement of Profit and Loss referred to in our report of even date.

For **Walker, Chandiok & Co**
Chartered Accountants

per **Sanjay Kumar**
Partner

Place : Hyderabad
Date : 26 May 2012

For and on behalf of the Board of Directors of
Four Soft Limited

Palem Srikanth Reddy
Chairman & Managing Director

Srinivas Prasad Edara
Director

Biju S. Nair
Chief Financial Officer &
Chief Operating Officer

Seena Sankar
Company Secretary

Place : Hyderabad
Date : 26 May 2012

Consolidated Cash Flow Statement for the year ended 31 March 2012

(All amounts in ₹ except otherwise stated)

		For the year ended 31 March 2012	2011
Cash flow from operating activities			
Profit/(Loss) before tax		(385,694,762)	33,316,900
Non-cash adjustment to reconcile profit before tax to net cash flows:			
- Depreciation and amortization		18,633,455	18,591,587
- Goodwill impairment		500,000,000	-
- Loss on sale of fixed assets		610,856	344,596
- Liabilities no longer required written back		(5,073,030)	(2,354,173)
- Employee stock compensation expense		(1,445,721)	2,323,981
- Provision for doubtful debts, net		4,463,650	5,604,396
- Unrealized foreign exchange gain/(loss)		(4,097,963)	9,214,037
Dividend income		(291,823)	-
Interest income		(2,855,437)	(2,236,715)
Interest expense		19,874,154	14,750,356
Operating profit before working capital changes		**144,123,379**	**79,554,965**
Movements in working capital:			
Increase in long-term loans and advances		(569,067)	(1,817,497)
Increase in trade receivables		(20,374,457)	(49,265,987)
Increase in short-term loans and advances		(2,287,716)	(31,049,823)
Decrease /(Increase) in other current assets		(15,300,598)	435,439
Increase/(Decrease) in long-term provisions		(387,952)	3,147,799
Increase in trade payables		10,648,333	5,065,497
Increase in other current liabilities		43,178,846	74,691,351
Decrease in short-term provisions		(5,446,670)	(10,019,523)
Cash generated from operations		**153,584,098**	**70,742,221**
Income taxes paid		(44,047,771)	(29,628,574)
Net cash from operating activities	**(A)**	**109,536,327**	**41,113,647**
Cash flow from investing activities			
Purchase of fixed assets, net		(18,400,839)	(46,150,811)
Payments for net assets acquired of subsidiaries, net of cash		-	(94,309,143)
Investment in current investments		(17,500,000)	-
Dividend received		291,823	-
Interest received		2,855,437	2,236,715
Net cash flow used in investing activities	**(B)**	**(32,753,579)**	**(138,223,239)**
Cash flow from financing activities			
Proceeds from long-term borrowings		-	102,751,816
Repayment of long-term borrowings		(71,858,710)	(25,688,329)
Payment toward finance lease obligation		-	(28,230)
Proceeds from short-term borrowings, net		43,372,763	(15,661,225)
Interest paid		(20,384,231)	(11,844,825)
Net cash used in/provided by financing activities	**(C)**	**(48,870,178)**	**49,529,207**

		For the year ended 31 March 2012	2011
Foreign exchange fluctuation	**(D)**	**(6,441,849)**	**(7,343,452)**
Net increase in cash and cash equivalent (A+B+C+D)		21,470,721	(54,923,837)
Cash and cash equivalents at the beginning of the year		143,050,503	197,316,478
Cash and cash equivalents at the end of the year		164,521,224	142,392,641
Components of cash and cash equivalents include:			
Cash and bank balances (as per note 16 of the financial statements)		166,754,366	143,050,503
Less: Deposits with bank with original maturity of more than three months		(341,742)	(301,992)
		166,412,624	142,748,511
Effect of unrealized exchange loss/(gain)		(1,891,400)	(355,870)
Cash and cash equivalents considered for consolidated cash flows		164,521,224	142,392,641

This is the Cash Flow Statement referred to in our report of even date.

For **Walker, Chandiok & Co**
Chartered Accountants

per **Sanjay Kumar**
Partner

Place : Hyderabad
Date : 26 May 2012

For and on behalf of the Board of Directors of
Four Soft Limited

Palem Srikanth Reddy
Chairman & Managing Director

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Director

Biju S. Nair
Chief Financial Officer &
Chief Operating Officer

Seena Sankar
Company Secretary

Place : Hyderabad
Date : 26 May 2012

Notes to the Consolidated Financial Statements

(All amounts in ₹ except otherwise stated)

1. Company overview

Four Soft Limited (the 'Company' or 'Four Soft') is one of the leading transportation and logistics software products company providing innovative and integrated enterprise solutions. Founded in 1999, Four Soft provides solutions to enterprises across the supply chain management market. Four Soft is headquartered in Hyderabad, India and has 8 development centers across the globe to cater to large clientele.

2. Summary of significant accounting policies

(a) Basis of consolidation

The consolidated financial statements of Four Soft together with its subsidiaries (collectively referred as the 'Group' or the 'consolidating entities') are prepared under historical cost convention on accrual basis and comply in all material respects with the mandatory Accounting Standards ('AS') notified pursuant to the Companies (Accounting Standard) Rules, 2006 ('the Rules') and pronouncements of The Institute of Chartered Accountants of India ('ICAI'). The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible in the same manner as the Company's separate financial statements. Difference in accounting policy has been disclosed separately.

Pursuant to the amendment to the Schedule VI to the Companies Act, 1956 ("the Act"), effective 1 April 2011 the Company has adopted revised Schedule VI for preparation and presentation of the financial statements and have reclassified previous year figures to conform to this year's presentation and classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed by the Company for preparation of financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of balance sheet.

Investments in subsidiaries, except where the investments are acquired exclusively with a view to its subsequent disposal in the near future, are accounted in accordance with accounting principles as defined in the Accounting Standard 21 'Consolidated Financial Statements' as notified by the Rules ('AS 21').

The financial statements of the consolidating entities are added on a line-by-line basis and inter-company balances and transactions including unrealized gain/ loss from such transactions are eliminated upon consolidation. The following wholly owned subsidiaries have been considered for the purpose of preparation of consolidated financial statements:

Names of the wholly owned subsidiaries	Country of incorporation	Date of acquisition/ Incorporation
Four Soft B.V.	The Netherlands	1 October 2004
Four Soft Singapore Pte. Limited	Singapore	28 May 2005
Four Soft Malaysia Sdn. Bhd.	Malaysia	28 May 2005
Four Soft Japan KK	Japan	26 June 2006
Four Soft Netherlands B.V.	The Netherlands	2 September 2005
Four Soft UK Limited	United Kingdom	2 September 2005
Four Soft USA, Inc.	United States of America	2 September 2005
Four Soft Nordic A/s	Denmark	1 January 2007
Four Soft Australia Pty Limited	Australia	1 January 2007

(b) Use of estimates

The preparation of the financial statements in conformity with Indian 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 year. Examples of such estimates include revenue recognition, provisions for doubtful debts and advances, useful lives of fixed assets and intangible assets,income taxes, diminution other than temporary in the carrying value of long term investments and future obligations under employee retirement benefit plans. Although these estimates are based on management's best knowledge of current events and actions, actual results could differ from those estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

(c) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Sale of goods and services

Revenue from the sale of user licenses for software applications is recognized on delivery or subsequent milestone schedule as per the terms of the contract with the customers. Revenue from time and material contracts is recognized as the related services are rendered. Revenue from annual maintenance services is recognized proportionately over the period in which services are rendered.

Revenue from services on fixed-priced and fixed time frame contracts is recognized on completion and delivery of services to the customers when the outcome of the contract cannot be assessed with reasonable certainty or on proportionate completion method when there is no significant uncertainty exists regarding the amount of consideration that will be derived from rendering the services.

Costs and earnings in excess of billings are classified as unbilled revenue while billings in excess of costs and earnings are classified as unearned revenue. Provision for estimated losses on contracts/engagements is made in the year in which such loss becomes probable and can be reasonably estimated.

Interest

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rates applicable.

Dividends

Income from dividend is recognized when the Group's right to receive payment is established by the balance sheet date.

Rental income

Rental income from operating lease is recognized on a straight-line basis over the term of the lease.

(d) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation, impairment losses and specific grant/subsidies, if any. Cost comprise of purchase price and any attributable cost to bring the asset to its working condition for its intended use.Finance costs relating to acquisition of fixed assets which take substantial period of time to get ready for use are included to the extent they relate to the period till such assets are ready for intended use.

Gain or losses arising from derecognition of an fixed asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

Assets under installation or under construction as at the balance sheet date are shown as 'capital work-in-progress'.

Depreciation on tangible assets

Depreciation is provided using the written down value method as per the useful lives of the assets estimated by management, or at the rates prescribed under Schedule XIV to the Act whichever is higher, except:

i. Four Soft USA, Inc., uses modified accelerated cost recovery system for depreciating its fixed assets.

ii. Tangible fixed assets of all the other subsidiaries are depreciated over the estimated useful lives, using the straight line method.

The rates of depreciation used by the Company are as under:

Assets	Rate (%)
Buildings	5.60
Computers	40.00
Office equipment	13.91
Furniture and fittings	18.10

Leasehold improvements are depreciated on written down value over the lease period of three to five years or useful lives of the assets estimated by management, whichever is lower.

(e) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development cost, are not capitalized and expenditure is reflected in the statement of profit and loss in the year in which is expenditure is incurred.

Research and development cost

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognized as an intangible asset when the Company can demonstrate all the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale

-its intention to complete the asset

-its ability to use or sell the asset

-how the asset will generate future economic benefits

-the availability of adequate resources to complete the development and to use or sell the asset

- the ability to measure reliably the expenditure attributable to the intangible asset during development

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and the accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized on straight line basis over the period of expected future benefit from the related project i.e. the estimated useful life of 10 years. Amortization is recognised in the statement of profit and loss.

Goodwill

Goodwill represents the excess of purchase consideration over the net book value of assets acquired. Goodwill is evaluated periodically for impairment and impairment losses are recognized where applicable.

(f) Leases

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalized. If there is no reasonable certainty that the Group will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term. Lease income by sublease of office premises is recognized in the statement of profit and loss on a straight line basis over the lease term. Initial direct costs such as legal costs, brokerage costs are recognized immediately in the statement of profit and loss.

(g) Impairment

Impairment of tangible and intangible assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) net selling price and its value-in-use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to projected future cash flows after the fifth year.

Impairment losses are recognized in the statement of profit and loss.

After impairment, depreciation is provided on the revised carrying amount of the depreciable/amortizable asset over its remaining useful life.

(h) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments.

Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline, other than temporary, in the value of the investments. Current investments are carried at lower of cost and fair value determined on individual investment basis.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

(j) Foreign currency transactions

Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are reported at year-end rates. Non-monetary items which are carried in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences

Exchange differences arising on the settlement of foreign currency monetary items or on reporting monetary items of the Company at rates different from those at which they were initially recorded during the year, or reported in previous consolidated financial statements, are recognized as income or as expenses in the year in which they arise.

(k) Foreign currency translation

Exchange difference relating to non-integral foreign operations is disclosed as 'foreign currency translation reserve account' in the consolidated balance sheet until the disposal of the net investment. On the disposal of a non-integral foreign operation, the cumulative amount of the exchange difference is recognized as income or expense in the period in which gain or loss on disposal is recognized.

In accordance with the accounting principles prescribed under Accounting Standard 11 'The Effects of Changes in Foreign Exchange Rates' as notified by the Rules, the Group has designated all its foreign operations, as 'non-integral foreign operations'.

(l) Taxes on income

Tax expense comprises of current and deferred tax.

Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with respective tax laws of the consolidating entities. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognized only to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

At each balance sheet date the Group re-assesses unrecognized deferred tax assets and recognizes it to the extent it has become reasonably certain that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Group writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

(m) Employee stock option scheme

Measurement and disclosure of the employee share-based payment plans is done in accordance with Securities Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended and the guidance note on 'Accounting for Employee Share-based Payments', issued by the ICAI. The excess of market value of the stock on the date of grant over the exercise price of the option is recognized as deferred employee stock compensation and is charged to statement of profit and loss on straight-line method over the vesting period of the options. The unamortized portion of cost is shown under stock options outstanding.

(n) Retirement and other employee benefits

Defined benefit contribution plan

In respect of the Company, retirement benefits in the form of provident fund scheme are charged to the statement of profit and loss of the year when the contribution to the respective fund is due. There are no other obligations other than the contribution payable to the respective fund.

In respect of Four Soft B.V., Four Soft Netherlands B.V., and Four Soft UK Limited, retirement benefits in the form of pension scheme are charged to the statement of profit and loss of the year when the contribution to respective fund is due. There are no other obligations other than the contribution payable to the respective fund.

In respect of Four Soft USA Inc. retirement benefits in the form of 401(k) plan for eligible employees are charged to the statement of profit and loss of the year when the contribution to respective fund is due. Contributions by the consolidating entity are discretionary and there are no other obligations other than the contribution payable to the respective fund.

Defined benefit obligation plan

In respect of the Company, gratuity liability is a defined benefit obligation and provided for on the basis of an actuarial valuation made on projected unit credit method at the end of each financial year. Actuarial gains and losses are recognized in full in the statement of profit and loss in the period in which they occur.

Other short-term benefits

The Group's compensation absences are in the nature of short-term benefit and are provided for based on estimates.

(o) Provisions and contingent liabilities

A provision is recognized when the Company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

(p) Segment reporting

Inter segment sales are generally accounted at fair values and the same have been eliminated in consolidation. The accounting policies of the segments are substantially the same as those described in the 'Summary of significant accounting policies' as above.

(q) Earnings per equity share

Basic earnings per equity share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per equity share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares. In computing the dilutive earnings per share, only potential equity shares that are dilutive and that either reduces the earnings per share or increases loss per share are included.

(r) 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.

(s) Difference in accounting policies

As per the requirement of AS 21, in the preparation of consolidated financial statements, the accounting policies of the consolidating entities are required to be aligned with those of the Company to the extent practicable. The following accounting policy followed by various consolidating entities is not aligned with those of the Company:

Depreciation in all consolidating subsidiaries except in case of Four Soft Malaysia Sdn. Bhd. and Four Soft Japan KK is provided on straight line method. The Company has not ascertained the impact of such differential accounting policy on the consolidated financial statements as at and for the year ended 31 March 2012. The amount of net tangible /intangible fixed assets and depreciation/amortization thereonincluded in the net fixed assets of the Groupis ₹60,780,265 (2011: ₹56,801,863) and ₹9,286,949 (2011: ₹10,317,330), respectively.

3. Share capital

	As at 31 March 2012	As at 31 March 2011
Authorized shares		
56,077,600 (2011: 56,077,600) equity shares of ₹5 each	280,388,000	280,388,000
696,120 (2011: 696,120) 14% redeemable optionally convertible cumulative preference shares of ₹100 each	69,612,000	69,612,000
Issued, subscribed and fully paid-up shares		
38,959,744 (2011: 38,959,744) equity shares of ₹5 each	194,798,720	194,798,720
Less: Unpaid calls	3,000	3,000
Less: Amount recoverable from Four Soft Employee Welfare Trust	133,935	360,635
Total issued, subscribed and fully paid-up share capital	**194,661,785**	**194,435,085**

(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

	31 March 2012		31 March 2011	
	No. of Shares	Amount	No. of Shares	Amount
At the beginning of the period	38,959,744	194,795,720	38,959,744	194,795,720
Issued during the period	-	-	-	-
Outstanding at the end of the period	**38,959,744**	**194,795,720**	**38,959,744**	**194,795,720**

(b) Terms/rights attached to equity shares

TheCompany has only one class of equity shares having a par value of ₹5 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian rupees. The dividend proposed by the Board of Directors, if any, is subject to the approval of the shareholders in the ensuing Annual General Meeting.

(c) Details of shareholders holding more than 5% shares in the Company:

	31 March 2012		31 March 2011	
	Number of shares	% of holding	Number of shares	% of holding
Mr. Palem Srikanth Reddy	8,704,158	22.34%	8,651,297	22.21%
Kotak Mahindra Trusteeship Services Limited	3,949,447	10.14%	3,949,447	10.14%

As per records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

(d) Shares reserved for issue under options

(i) The Company has established Four Soft Limited Employees Welfare Trust (the 'Trust') to administer the ESOP ("Employee stock option plan") Scheme and as at 31 March 2012 had issued 1,170,200 equity shares of ₹5 each. Pursuant to the ESOP Scheme the trust has granted equity shares at an exercise price of ₹5 each to the eligible employees, which are subject to progressive vesting (1 year after date of issue of options) over a period of three years from the date of the grant. As of 31 March 2012 the total shares held by the Trust is 243,987 (2011: 289,327). Mode of settlement of these stock options is equity.

(ii) During the year ended 31 March 2012 the stock compensation amortization expenses/ (income) is amounting to ₹(1,445,721) (2011: ₹2,323,981).

(iii) Changes in number of shares representing stock options outstanding as at the year ended on 31 March 2012 were as follows:

	For the year ended			
	31 March 2012		31 March 2011	
	No. of Shares	Weighted average exercise price	No. of Shares	Weighted average exercise price
Outstanding at the beginning of the year	1,454,676	9.71	2,118,512	18.79
Granted during the year	1,042,350	10.00	1,371,000	10.00
Forfeited during the year	1,229,755	19.88	1,970,838	19.76
Exercised during the year	45,340	5.00	63,998	5.00
Expired during the year	38,336	5.00	-	5.00
Outstanding at the end of the year	1,183,595	12.54	1,454,676	9.71
Exercisable at the end of the year	36,510	21.05	83,676	5.00

(iv) Proforma disclosures - Impact of fair value method on the reported net profit and earnings per share is as follows:

	For the year ended 31 March	
	2012	2011
Net profit/(loss) (as reported)	(426,380,051)	30,942,082
Add: Employee stock compensation under intrinsic value method	(1,445,721)	2,323,981
Less: Employee stock compensation under fair value method	1,201,943	3,174,602
Proforma (loss)/profit	**(429,027,715)**	**30,091,461**
Earnings/(loss) per share		
Basic		
- As reported	(11.00)	0.80
- Proforma	(11.07)	0.78
Diluted		
- As reported	(11.00)	0.80
- Proforma	(11.07)	0.77

The fair value of options was estimated at the date of grant using the Black Scholes method with the following assumptions:

	For the year ended 31 March	
	2012	2011
Risk-free interest rate	8.25 to 8.50%	8.00 to 8.25%
Expected life	1 to 2 years	1 to 4 years
Expected volatility	0.51 to 0.57	0.47 to 0.57
Expected dividend yield	-	-

The expected volatility was determined based on historical volatility data; historical volatility includes early years of the Company's life; the Company expects the volatility of its share price to reduce as it matures. The weighted average share price at the date of exercise for stock options exercised during the year was ₹14.19 (2011: ₹21.11). Options outstanding at 31 March 2012 had an exercise price of ₹10 to ₹21.05, and a weighted average remaining contractual life of 19.24 months (2011: 17.46 months).

4. Reserves and surplus

	As at 31 March	
	2012	**2011**
Securities premium reserve		
Balance as per last financial statements	648,108,341	646,869,980
Additions during the year	877,368	1,238,361
Closing balance	**648,985,709**	**648,108,341**
Capital reserve		
Balance as per last financial statements	14,280,000	14,280,000
Closing balance	**14,280,000**	**14,280,000**
General reserves		
Balance as per last financial statements	2,598,214	2,598,214
Closing balance	**2,598,214**	**2,598,214**
Stock option outstanding reserve		
Balance as per last financial statements	8,117,316	7,493,809
Add: Compensation for options granted during the year	-	6,059,820
Less: Forfeiture of options prior to vesting of options	4,630,619	4,197,952
Less: Transferred to securities premium reserve on exercise of stock options	877,368	1,238,361
Employee stock options outstanding	2,609,329	8,117,316
Less: Deferred employee stock compensation	(252,283)	3,437,180
Closing balance	**2,357,046**	**4,680,136**
Surplus in statement of profit and loss		
Balance as per last financial statements	715,705,812	684,763,730
Add: Net (loss)/profit during the year	(426,380,051)	30,942,082
Closing balance	**289,325,761**	**715,705,812**
Foreign currency translation reserve		
Balance as per last financial statements	2,007,863	(71,963,951)
Add: Current year translation adjustment	74,303,871	73,971,814
Closing balance	**76,311,734**	**2,007,863**
Total reserves and surplus	**1,033,858,464**	**1,387,380,366**

5. Long-term borrowings

	As at 31 March	
	2012	**2011**
Secured		
Term loans		
- From banks	237,626,854	290,788,755
	237,626,854	**290,788,755**

Term loan taken by a subsidiary is secured by:

1. First ranking mortgage on all immovable assets of Four Soft B.V., Four Soft Netherlands B.V., Four Soft UK Limited, Four Soft Nordic A/s and Four Soft USA, Inc.
2. First ranking hypothecation on all movable assets of the Four Soft B.V., Four Soft Netherlands, B.V., Four Soft UK Limited, Four Soft Nordic A/s and Four Soft USA, Inc.
3. Corporate guarantee of Four Soft.
4. Pledge of shares held by Four Soft B.V. of Four Soft Netherlands BV, Four Soft UK Limited, Four Soft Nordic A/s and Four Soft USA, Inc.
5. Pledge of shares held by Four Soft in Four Soft B.V.

As per the repayment schedule the company pays a quarterly installment which is effective up to 12 August 2014. The applicable rate of interest is 'LIBOR (London interbank offered rate) plus 5 percent'.

6. Long-term provisions

	As at 31 March	
	2012	**2011**
Provision for employee benefits		
- Gratuity (See note 21)	5,063,635	5,451,587
	5,063,635	**5,451,587**

7. Short-term borrowings

	As at 31 March	
	2012	**2011**
Secured		
Working capital loans		
- From a bank	58,006,238	14,633,475
	58,006,238	**14,633,475**

The working capital loan taken by a subsidiary is fully secured by:

1. First ranking mortgage on all immovable assets of Four Soft B.V., Four Soft Netherlands B.V., Four Soft UK Limited, Four Soft Nordic A/s and Four Soft USA, Inc.
2. First ranking hypothecation on all movable assets of the Four Soft B.V., Four Soft Netherlands, B.V., Four Soft UK Limited, Four Soft Nordic A/s and Four Soft USA, Inc.
3. Corporate guarantee of Four Soft.
4. Pledge of shares held by Four Soft B.V. of Four Soft Netherlands B.V., Four Soft UK Limited, Four Soft Nordic A/s and Four Soft USA, Inc.
5. Pledge of shares held by Four Soft in Four Soft B.V.
6. First ranking mortgage on building owned by Four Soft.

The Company has an overdraft limit of Euro 1,600,000 and the applicable rate of interest is "LIBOR plus 5.5 percent".

8. Other current liabilities

	As at 31 March	
	2012	**2011**
Income received in advance	169,065,074	141,340,580
Current maturities of long term debt	-	-
Unpaid dividend	268,182	501,786
Refundable share application money	-	204,959
Dues to a director	2,382,522	2,272,914
Statutory dues payable	6,360,228	10,518,174
Others	39,305,049	19,873,873
	217,381,055	**174,712,286**

9. Short-term provisions

	As at 31 March	
	2012	**2011**
Provision for employee benefits		
- Employee benefits	43,703,727	45,509,597
- Compensated absences	4,710,538	8,351,338
Others		
- Provision for tax	39,185,472	16,947,353
	87,599,737	**70,808,288**

Notes to the Consolidated Financial Statements

(All amounts in ₹ except otherwise stated)

10. Tangible assets

	Buildings	Computers	Office equipment	Furniture and fittings	Leasehold improvements	Vehicles	Total
Gross block							
As at 1 April 2010	38,186,375	131,491,729	33,676,829	66,928,107	4,626,498	764,596	275,674,134
Additions during the year	-	6,628,006	7,541,496	2,791,487	-	-	16,960,989
Disposals during the year	-	(181,825)	-	(1,568,984)	(992,621)	-	(2,743,430)
Exchange difference	428,142	6,230,931	612,058	2,607,958	18,837	43,121	9,941,047
As at 31 March 2011	**38,614,517**	**144,168,841**	**41,830,383**	**70,758,568**	**3,652,714**	**807,717**	**299,832,740**
Additions during the year	-	3,586,187	346,946	3,954,188	-	-	7,887,321
Disposals during the year	(8,363,692)	(11,620,259)	(7,387,230)	(6,505,444)	-	(842,344)	(34,718,969)
Exchange difference	343,818	11,567,026	908,715	6,722,036	-	34,627	19,576,222
As at 31 March 2012	**30,594,643**	**147,701,795**	**35,698,814**	**74,929,348**	**3,652,714**	**-**	**292,577,314**
Accumulated depreciation							
Up to 1 April 2010	16,169,806	116,961,531	19,750,368	61,269,444	3,807,671	179,273	218,138,093
Charge for the year*	1,232,925	7,113,195	2,081,785	3,041,833	108,628	253,530	13,831,896
On Disposals	-	(109,531)	-	(1,784,848)	(410,864)	-	(2,305,243)
Exchange difference	428,145	5,925,823	589,439	2,455,453	6,758	23,871	9,429,489
Up to 31 March 2011	**17,830,876**	**129,891,018**	**22,421,592**	**64,981,882**	**3,512,193**	**456,674**	**239,094,235**
Charge for the year*	1,163,884	6,646,759	2,897,706	2,851,819	42,541	23,229	13,625,938
Disposals	(8,363,692)	(11,620,259)	(6,715,793)	(6,505,444)	-	(499,481)	(33,704,669)
Exchange difference	343,818	10,909,308	1,216,924	6,207,674	-	19,578	18,697,302
Up to 31 March 2012	**10,974,886**	**135,826,826**	**19,820,429**	**67,535,931**	**3,554,734**	**-**	**237,712,806**
Net block							
As at 31 March 2012	**19,619,756**	**11,874,969**	**15,878,385**	**7,393,417**	**97,980**	**-**	**54,864,507**
As at 31 March 2011	**20,783,641**	**14,277,823**	**19,408,791**	**5,776,686**	**140,521**	**351,043**	**60,738,505**

* During the year depreciation amounting to ₹ 271,844 (2011: ₹749,861) was capitalized to Intangible assets.

11. Intangible assets

	Goodwill	Software	Internally developed software	Total
Gross block				
As at 1 April 2010	1,582,203,876	50,415,144	-	1,632,619,020
Additions during the year	-	2,598,472	-	2,598,472
Exchange difference	92,475,465	829,650	-	93,305,115
As at 31 March 2011	**1,674,679,341**	**53,843,266**	**-**	**1,728,522,607**
Additions during the year	-	869,000	35,087,435	35,956,435
Exchange differences	96,567,638	4,692,885	-	101,260,523
As at 31 March 2012	**1,771,246,979**	**59,405,151**	**35,087,435**	**1,865,739,565**
Accumulated amortization				
Up to 1 April 2010	-	39,689,076	-	39,689,076
Charge for the year	-	4,759,691	-	4,759,691
Exchange difference	-	741,520	-	741,520
Up to 31 March 2011	**-**	**45,190,287**	**-**	**45,190,287**
Charge for the year	-	3,524,989	1,754,372	5,279,361
Exchange difference	-	5,048,364	-	5,048,364
Up to 31 March 2012	**-**	**53,763,640**	**1,754,372**	**55,518,012**
Impairment				
Up to 1 April 2010	36,396,093	-		36,396,093
Up to 31 March 2011	**36,396,093**	**-**		**36,396,093**
Charge for the year	500,000,000	-		500,000,000
Up to 31 March 2012	**536,396,093**	**-**		**536,396,093**
Net block				
As at 31 March 2012	**1,234,850,886**	**5,641,520**	**33,333,063**	**1,273,825,469**
As at 31 March 2011	1,638,283,248	8,652,979	-	1,646,936,227

12. Deferred tax assets (net)

	As at 31 March	
	2012	**2011**
Deferred tax liability		
Difference in depreciation in block of assets	1,024,913	4,186,508
Total deferred tax liability	1,024,913	4,186,508
Deferred tax assets		
Business losses	42,944,390	33,944,030
Difference in depreciation in block of assets	-	2,763,540
Deferred income	8,739,351	1,224,588
Employee benefits	-	3,708,764
Provision for doubtful advances/expenses	1,166,446	88,399
Provision for doubtful debts	949,680	336,456
Total deferred tax assets	**53,799,867**	**42,065,777**
Net deferred tax asset	**52,774,954**	**37,879,269**

The Company has recognized deferred tax asset on carry forward business losses based on assessment of future profitability and business plan approved by the Board of Directors. Future profitability is ascertained taking into account the revenues from the new contracts signed during the year ended 31 March 2012, for which a significant portion of revenue is deferred for completion of services, annual maintenance services which are renewed on yearly basis and customization services based on historical experience from the existing customers. Further the profitability is also impacted due to substantial cost saving measures and restructuring activities undertaken out during the year.

13. Long-term loans and advances

	As at 31 March	
	2012	**2011**
Capital advances	794,224	794,224
Security deposits	18,888,058	18,318,990
	19,682,282	**19,113,214**

14. Current investment

	As at 31 March	
	2012	**2011**
Investments in mutual funds	17,500,000	-
	17,500,000	**-**

15. Trade receivables

	As at 31 March	
	2012	**2011**
Unsecured		
Outstanding for a period exceeding six months		
- Considered good	14,137,399	13,210,415
- Considered doubtful	-	14,219,396
	14,137,399	**27,429,811**
Other receivables		
- Considered good	259,672,289	233,504,182
- Considered doubtful	-	-
Gross trade receivables	273,809,688	260,933,993
Less: Provision for doubtful debts	(18,638,367)	(14,219,396)
Total trade receivables, net	**255,171,321**	**246,714,597**

16. Cash and bank balances

	As at 31 March	
	2012	**2011**
Cash and cash equivalents		
Balances with banks:		
Current account	165,687,690	141,818,123
Deposit account	303,170	28,965
Unpaid dividend	268,182	501,508
Unpaid Initial Public Offer refund account	-	204,459
Cash on hand	153,581	195,456
	166,412,623	**142,748,511**
Other bank balances		
Deposits with original maturity for more than 12 months	341,743	301,992
Total cash and bank balances	**166,754,366**	**143,050,503**

17. Short-term loans and advances

	As at 31 March	
	2012	**2011**
Unsecured, considered good		
Prepaid expenses	42,798,636	53,126,297
Advance tax (net of provision)	23,367,148	9,787,361
Service tax receivable	14,071,265	10,414,821
Value added tax receivable	1,311,160	1,004,510
Others	14,072,899	7,308,415
Gross short-term loans and advances	95,621,108	81,641,404
Less: Provision for doubtful advances	2,901,189	2,768,862
Short-term loans and advances, net	**92,719,919**	**78,872,542**

18. Other current assets

	As at 31 March	
	2012	**2011**
Unbilled revenue	16,817,190	1,500,000
Accrued interest	29,776	46,368
	16,846,966	**1,546,368**

19. Revenue from operations

	As at 31 March	
	2012	**2011**
Sale of licenses	78,530,414	102,544,433
Sale of services	831,969,906	749,565,299
Annual maintenance services	364,174,035	359,819,119
Sale of third party licenses (net)	5,906,440	7,649,478
	1,280,580,795	**1,219,578,329**

20. Other income

	As at 31 March	
	2012	2011
Interest on fixed deposit	2,855,437	2,236,715
Exchange difference (net)	-	2,859,664
Bad debts/advances recovered	261,678	956,449
Dividend income from non-trade investments	291,823	169,199
Liabilities no longer required written-back	7,119,193	2,354,173
Miscellaneous income	2,040,472	5,041,060
	12,568,603	**13,617,260**

21. Employee benefits expense

	As at 31 March	
	2012	2011
Salaries and wages	737,045,310	728,264,576
Employee stock compensation expenses	-	2,323,981
Contribution to provident and other funds	31,088,888	33,746,676
Gratuity and compensated absences	17,785,896	19,739,574
Staff welfare expenses	33,130,050	30,796,437
	819,050,144	**814,871,244**

(a) Defined contribution plan

During year ended 31 March 2012, the Company contributed ₹12,467,987 (2011: ₹11,273,805) to provident fund and ₹485,519 (2011: ₹Nil) towards employee state insurance fund.

(b) Defined benefit plan - Gratuity

Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy. The following tables summarize the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet for the gratuity:

	For the year ended 31 March	
	2012	2011
A. Net gratuity expense recognized in the statement of profit and loss		
Current service cost	1,196,901	3,120,051
Interest cost on benefit obligation	449,756	351,030
Expected return on plan assets	(109,612)	(166,727)
Net actuarial gain recognized in the year	(677,438)	(178,526)
Net benefit (income) / expense	**859,607**	**3,125,828**
B. Details of provision recognized in the balance sheet		
Defined benefit obligation	6,321,085	6,780,212
Fair value of plan assets	(1,257,450)	(1,328,625)
Net provision for gratuity	5,063,635	5,451,587
Actual return on plan assets	**102,511**	**169,727**

	For the year ended 31 March	
	2012	**2011**
C. Changes in the present value of the defined benefit obligation are as follows:		
Opening defined benefit obligation	6,780,212	4,387,876
Interest cost	449,756	351,030
Current service cost	1,196,901	3,120,051
Past service cost (Vested Benefit)	-	21,971
Benefits paid	(1,421,245)	(925,190)
Actuarial gains on obligation	(684,539)	(175,526)
Closing defined benefit obligation	**6,321,085**	**6,780,212**
D. Changes in the fair value of plan assets are as follows:		
Opening fair value of plan assets	1,328,625	2,084,088
Expected return	109,612	166,727
Contributions	1,247,559	-
Benefits paid	(1,421,245)	(925,190)
Actuarial gains / (losses) on plan assets	(7,101)	3,000
Closing fair value of plan assets	**1,257,450**	**1,328,625**
E. The principal assumptions used in determining gratuity obligations for the Company's plans are shown below:		
Discount rate	8.50% p.a.	8.25% p.a.
Expected rate of return on assets	8.50% p.a.	8.25% p.a.
Future salary rise	5% p.a.	5% p.a.
Attrition rate:		
- For 0-4 years	15% p.a.	15% p.a.
- 5 years and above	2% p.a.	2% p.a.

(b) Defined benefit plan - Gratuity

Expected employer's contribution next year ₹2,745,217 (2011: ₹2,500,000). The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors.

F. Amounts for the current and previous four periods are as follows:

	For the year ended 31 March				
	2008	**2009**	**2010**	**2011**	**2012**
Defined benefit obligation	7,550,118	7,494,424	4,387,876	6,780,212	6,321,102
Planned assets	3,216,719	2,041,359	2,084,088	1,328,625	1,257,450
Surplus/(Deficit)	(4,333,399)	(5,453,065)	(2,303,788)	(5,451,587)	(5,063,619)
Experienced adjustment to plan liabilities	(3,754,454)	(2,074,730)	(734,723)	(318,670)	(643,300)
Experienced adjustment to plan assets	55,322	(84,707)	14,242	3,000	(7,101)

22. Finance costs

	For the year ended 31 March	
	2012	**2011**
Interest expense	19,874,154	14,750,356
Bank charges	3,948,489	3,002,663
	23,822,643	**17,753,019**

23. Other expenses

	For the year ended 31 March	
	2012	**2011**
Rent	63,879,626	56,030,692
Fee, rates and taxes	6,818,661	8,358,151
Office maintenance	61,024,232	41,590,537
Payments to auditor	6,580,518	8,335,713
Implementation expenses	44,105,301	44,895,640
Advertisement and recruitment	3,002,592	718,659
Business promotion	8,745,296	25,997,952
Communication	17,484,073	16,874,646
Postage and courier	994,298	2,023,368
Insurance	4,637,893	6,496,801
Electricity and water	11,633,655	16,377,344
Travelling and conveyance	61,231,472	61,065,302
Legal and professional fees	20,917,397	17,836,139
Provision for doubtful debts	4,463,650	5,604,396
Donations	128,986	-
Miscellaneous expenses	1,690,268	3,132,254
	317,337,918	**315,337,594**

24. Exceptional item

(a) Impairment of goodwill

In 2005 the Company had acquired certain subsidiaries to strengthen its presence in the European and North American markets. However, the economic down-turn and technological changes has impacted revenues and margins much earlier than management's estimate. Consequently, during the year the Company has assessed the carrying value of goodwill in relation to such subsidiaries and has recorded an impairment of goodwill aggregating to ₹500,000,000 for the year ended 31 March 2012 (2011: Nil).

(b) Restructuring costs

In 2010-11, the Group had undertaken restructuring exercise to improve operational efficiencies and propel growth. Expenses incurred towards such initiatives were recognized as an exceptional item amounting to ₹34,075,106.

25. Earnings per equity share (EPES)

	For the year ended 31 March	
	2012	**2011**
Net profit/(loss) as per statement of profit and loss	(426,380,051)	30,942,082
Weighted average number of equity shares considered in computation of basic EPES	38,755,276	38,704,347
Effect of dilutive equity shares	-	140,260
Weighted average number of equity shares considered in computation of diluted EPES	**38,755,276**	**38,844,607**

26. Contingent liabilities

	As at 31 March	
	2012	**2011**
Claims against the company not acknowledged as debt		
- Income tax	52,541,539	26,454,812
- Service tax	3,563,314	3,563,314

27. Segment reporting

For the year ended 31 March 2012

	India	Europe	USA	Rest of the world	Total	Eliminations	Consolidated
1. Revenue							
(a) External sales	56,869,367	897,689,363	264,162,453	61,859,612	1,280,580,795	-	1,280,580,795
(b) Inter-segment sales	303,994,897	3,959,161	3,232,464	20,412,810	331,599,332	331,599,332	-
(c) Total revenue	**360,864,264**	**901,648,524**	**267,394,917**	**82,272,422**	**1,612,180,127**	**331,599,332**	**1,280,580,795**
2. Results							
(a) Segment result	(24,788,248)	156,646,227	9,282,662	6,938,055	148,078,696	22,519,418	125,559,278
(b) Finance cost					46,778,032	22,955,389	23,822,643
(c) Other income					385,905,077	373,336,474	12,568,603
(d) Exceptional items					500,000,000	-	500,000,000
(d) Income taxes					52,706,084	-	52,706,084
(e) Deferred taxes					(12,020,795)	-	(12,020,795)
(f) Net profit							**(426,380,051)**
3. Other information - as at 31 March 2012							
(a) Segment assets	380,258,252	2,320,292,511	139,247,314	174,185,574	3,013,983,651	1,116,618,821	1,897,364,830
Unallocated corporate assets							52,774,954
Total							**1,950,139,784**
(b) Segment liabilities	115,238,681	1,436,814,462	79,737,765	148,157,776	1,779,948,684	1,058,329,149	721,619,535
Unallocated corporate liabilities							-
Total							**721,619,535**
(c) Capital expenditure	36,607,973	73,364,504	754,770	-	110,727,247	67,243,483	43,483,764
(d) Depreciation and amortization	11,758,557	12,290,367	826,472	233,445	25,108,841	6,475,386	18,633,455
(e) Other non-cash expenses	1,293,181	7,891,152	2,264,101	566,604	12,015,039	6,394,627	5,620,412

For the year ended 31 March 2011

	India	Europe	USA	Rest of the world	Total	Eliminations	Consolidated
1. Revenue							
(a) External sales	64,840,971	821,148,411	267,045,067	66,543,879	1,219,578,328	-	1,219,578,328
(b) Inter-segment sales	200,229,172	1,983,353	-	8,815,376	211,027,901	211,027,901	-
(c) Total revenue	**265,070,143**	**823,131,764**	**267,045,067**	**74,847,784**	**1,430,094,758**	**211,027,901**	**1,219,578,328**
2. Results							
(a) Segment result	(86,185,021)	120,053,865	(1,627,342)	5,211,157	37,452,659	-	37,452,659
(b) Finance cost							17,753,019
(c) Other income							13,617,260
(d) Income taxes							36,280,440
(e) Deferred taxes							(33,905,622)
(f) Net profit							**30,942,082**
3. Other information - as at 31 March 2011							
(a) Segment assets	386,580,143	2,572,886,363	107,543,887	219,624,589	3,286,634,982	1,064,371,964	2,222,263,018
Unallocated corporate assets							37,879,269
Total							**2,260,142,287**
(b) Segment liabilities	108,038,225	1,526,938,795	62,479,497	201,692,327	1,899,148,844	1,220,821,992	678,326,852
Unallocated corporate liabilities							-
Total							**678,326,852**
(c) Capital expenditure	14,566,898	2,218,576	2,718,656	55,331	19,559,461	-	19,559,461
(d) Depreciation and amortization	10,396,634	6,352,737	741,644	350,711	17,841,726	-	17,841,726
(e) Other non-cash expenses	2,177,135	3,447,630	645,634	243,705	6,514,104	-	6,514,104

28. Related party disclosures

Names of the related party	Country	Nature of relationship
Four Soft Employee Welfare Trust	India	Controlling interest
Mr. Palem Srikanth Reddy	India	Key management personnel (KMP)
Mr. Biju S. Nair	India	KMP
Mr. Raj Shekhar Roy	India	KMP
Sonata Information Technology Limited	India	Enterprises significantly influenced by KMP or their relative(s)
Palpremium Online Media Pvt Ltd	India	Enterprises significantly influenced by KMP or their relative(s)
Palred Media & Entertainment Pvt Ltd	India	Enterprises significantly influenced by KMP or their relative(s)

The details of the related party transactions entered into by the Group during the year ended 31 March 2012 are as follows:

	For the year ended 31 March	
	2012	**2011**
A. KMP		
Remuneration		
Mr. Palem Srikanth Reddy	1,800,000	1,800,000
Mr. Biju S Nair	1,880,004	2,641,424
Mr. Raj Shekhar Roy	2,390,004	3,819,037
Employee Stock Options		
During the year the company has allotted 20,000 stock options vesting over a period to Mr. Raj Shekhar Roy at an exercise price of ₹5 each.		
B. Enterprises significantly influenced by KMP or their relatives:		
Sonata Information Technology Limited Purchase of third party license	2,435,500	997,617
PalPremium Online Media Private Limited Professional services	402,898	-
C. Receivable/(payable) as at 31 March 2012		
Four Soft Employee Welfare Trust	37,102	(17,929)
Mr. Palem Srikanth Reddy	(2,382,522)	(2,272,914)

29. Leases

Operating Lease

The Company's significant leasing arrangements are in respect of operating leases for premises. The leasing arrangements which are non-cancellable generally range between 1 year to 20 years and are usually renewable by mutual consent on agreed terms. Rental expenses under non-cancellable leases are ₹78,804,717 (2011:₹45,277,330).

The Company's lease obligation under non-cancellable lease arrangements is as given below:

	For the year ended 31 March	
	2012	2011
Minimum lease payments:		
Not later than one year	53,585,758	52,959,143
Later than one year and not later than five years	130,866,878	157,963,806
Later than five years	15,170,401	190,349,619
	199,623,037	**401,272,568**
The total of future minimum sub-lease payments expected to be received under non-cancellable sub-leases at the consolidated balance sheet date	9,409,626	30,318,789
Sub-lease payments received (or receivable) recognized in the statement of profit and loss for the year	18,487,059	17,070,330

30. Transfer Pricing

The Company is required to use certain specified methods in computing arm's length price in respect of international transactions with its associated enterprises and is also required to maintain prescribed information and documents in connection with such transactions. The appropriate methods to be adopted depends on the nature of transactions/class of transactions, class of associated persons, functions performed and other factors as prescribed under Rule 10B of the Income Tax Rules, 1962. The Company is in the process of updating the Transfer Pricing documentation for the year ended 31 March 2012 following detailed Transfer Pricing update conducted for the financial year ended 31 March 2011. In the opinion of management, the same would not have any impact on these financial statements. Accordingly, these financial statements do not include the effect of the transfer pricing implications, if any.

31. Research and development costs

During the year ended 31 March 2012 the Company has incurred expenses amounting to ₹76,581,382(2011: ₹79,174,357) towards research and development included under various heads of expenses.

32. Previous year comparatives

The previous yearcomparatives have been reclassified/rearranged to comply with the presentation requirements of revised Schedule VI as stated in the note 2(a).

For and on behalf of the Board of Directors of
Four Soft Limited

Palem Srikanth Reddy
Chairman & Managing Director

Srinivas Prasad Edara
Director

Biju S. Nair
Chief Financial Officer &
Chief Operating Officer

Seena Sankar
Company Secretary

Place : Hyderabad
Date : 26 May 2012

Auditors' Report

To the Members of Four Soft Limited

1. We have audited the attached Balance Sheet of Four Soft Limited ('the Company') as at 31 March 2012 and also the Statement of Profit and Loss and the Cash Flow Statement for the year ended on that date annexed thereto (collectively referred as the 'financial statements'). 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 ('the Order') (as amended) 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 Order.

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

   (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   (c) The financial statements dealt with by this report are in agreement with the books of account;

   (d) On the basis of written representations received from the directors, as on 31 March 2012 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;

   (e) In our opinion and to the best of our information and according to the explanations given to us,the financial statements dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act and 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, in the case of:

   (i) the Balance Sheet, of the state of affairs of the Company as at 31 March 2012;

   (ii) the Statement of Profit and Loss, of the loss for the year ended on that date; and

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

For **Walker, Chandiok & Co**
Chartered Accountants
Firm Registration No: 001076N

per **Sanjay Kumar**
Partner
Membership No: 207660

Place : Hyderabad
Date : 26 May 2012

Annexure to the auditors' report of even date to the members of Four Soft Limited, on the financial statements as at and for the year ended 31 March 2012.

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has a regular program of physical verification of its fixed assets under which fixed assets are verified in a phased manner over a period of three years which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) In our opinion, a substantial part of fixed assets has not been disposed off during the year.

(ii) (a) The Company does not have any tangible inventory. Accordingly, the provisions of clause 4(ii) of the Order are not applicable.

(iii) (a) The Company has granted unsecured loans to two bodies corporate covered in the register maintained under Section 301 of the Act. The maximum amount outstanding during the year is ₹156,357,274 and the year-end balance is ₹39,706,017.

(b) In our opinion, the rate of interest and other terms and conditions of such loans are not, *prima facie*, prejudicial to the interest of the Company.

(c) In respect of loans granted, receipt of the principal amount is as stipulated and payment of interest has been regular.

(d) There is no overdue amount in respect of loans granted to such companies, firms or other parties.

(e) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clauses 4(iii)(f) and 4(iii)(g) of the Order are not applicable.

(iv) (a) Owing to the nature of its business, the Company does not maintain any physical inventories or sells any goods. Accordingly, clause 4(iv) of the Order with respect to purchase of inventories and sale of goods is not applicable. In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.

(v) (a) In our opinion, the particulars of all contracts or arrangements that need to be entered into the register maintained under Section 301 of the Act have been so entered.

(b) Owing to the unique and specialized nature of the items involved and in the absence of any comparable prices, we are unable to comment as to whether the transactions, other than loans, made in pursuance of such contracts or arrangements have been made at prevailing market prices at the relevant time.

(vi) The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the Companies (Acceptance of Deposits) Rules, 1975. Accordingly, the provisions of clause 4(vi) of the Order are not applicable.

(vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.

(viii) To the best of our knowledge and belief, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act, in respect of Company's products/ services. Accordingly, the provisions of clause 4(viii) of the Order are not applicable.

(ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service-tax, custom duty, excise duty, cess and other material statutory dues, as applicable, have generally been regularly deposited with the appropriate authorities, though there has been a slight delay in case of depositing employee state insurance. No undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.

(b) The dues outstanding in respect of service tax and income-tax on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (₹)	Financial year	Forum where dispute is pending
The Finance Act, 1994	Service tax	3,563,314	2006-07	Appellate tribunal
Income Tax Act, 1961	Income tax	52,541,539	2006-07	Income Tax appellate tribunal

(x) In our opinion, the Company has no accumulated losses at the end of the financial year, but it has incurred cash losses in the current and the immediately preceding financial year.

(xi) The Company has no dues payable to a financial institution or a bank or debenture-holders during the year. Accordingly, the provisions of clause 4(xi) of the Order are not applicable.

(xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable.

(xiii) In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Accordingly, the provisions of clause 4(xiii) of the Order are not applicable.

(xiv) In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.

(xv) According to the information and explanations given to us, the Company has given guarantees for loans taken by its wholly owned subsidiary from a bank, the terms and conditions whereof, in our opinion are not, prima facie, prejudicial to the interest of the Company.

(xvi) The Company did not have any term loans outstanding during the year. Accordingly, the provisions of clause 4(xvi) of the Order are not applicable.

(xvii) In our opinion, no funds raised on short-term basis have been used for long-term investment.

(xviii) During the year, the Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clause 4(xviii) of the Order are not applicable.

(xix) The Company has neither issued nor had any outstanding debentures during the year. Accordingly, the provisions of clause 4(xix) of the Order are not applicable.

(xx) The Company has not raised any money by public issues during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable.

(xxi) No fraud on or by the Company has been noticed or reported during the period covered by our audit.

For **Walker, Chandiok & Co**
Chartered Accountants
Firm Registration No: 001076N

per **Sanjay Kumar**
Partner
Membership No: 207660

Place : Hyderabad
Date : 26 May 2012

Balance Sheet as at 31 March 2012

(All amounts in ₹ except otherwise stated)

	Notes	As at 31 March 2012	As at 31 March 2011
Equity and liabilities			
Shareholders' funds			
Share capital	3	194,661,785	194,435,085
Reserves and surplus	4	731,645,215	766,045,963
Total shareholder's funds		**926,307,000**	**960,481,048**
Non-current liabilities			
Long-term provisions	5	5,063,635	5,451,587
Total non-current liabilities		**5,063,635**	**5,451,587**
Current liabilities			
Trade payables	6	67,941,807	65,444,678
Other current liabilities	7	41,054,921	36,917,005
Short-term provisions	5	1,178,318	4,185,079
Total current liabilities		**110,175,046**	**106,546,762**
Total		**1,041,545,681**	**1,072,479,397**
Assets			
Non-current assets			
Fixed assets			
- Tangible assets	8	44,830,777	52,855,624
- Intangible assets	9	37,273,974	5,305,248
- Intangible asset under development		-	25,291,080
		82,104,751	**83,451,952**
Non-current investments	10	661,287,430	661,287,430
Deferred tax assets (net)	23	-	23,607,312
Long-term loans and advances	11	10,387,234	13,274,108
Total non-current assets		**753,779,415**	**781,620,802**
Current assets			
Current investments	12	17,500,000	-
Trade receivables	13	107,503,763	90,615,907
Cash and bank balances	14	4,225,994	12,336,495
Short-term loans and advances	15	87,246,768	186,359,825
Other current assets	16	71,289,741	1,546,368
Total current assets		**287,766,266**	**290,858,595**
Total		**1,041,545,681**	**1,072,479,397**

The accompanying notes are an integral part of the financial statements.
This is the Balance Sheet referred to in our report of even date.

For **Walker, Chandiok & Co**
Chartered Accountants

per **Sanjay Kumar**
Partner

Place : Hyderabad
Date : 26 May 2012

For and on behalf of the Board of Directors of
Four Soft Limited

Palem Srikanth Reddy
Chairman & Managing Director

Srinivas Prasad Edara
Director

Biju S. Nair
Chief Financial Officer &
Chief Operating Officer

Seena Sankar
Company Secretary

Place : Hyderabad
Date : 26 May 2012

Statement of Profit and Loss for the year ended 31 March 2012

(All amounts in ₹ except otherwise stated)

		Notes	For the year ended 31 March 2012	For the year ended 31 March 2011
I.	Revenue from operations	17	292,864,264	265,070,144
II.	Other income	18	15,744,801	3,465,689
III.	**Total revenue**		**308,609,065**	**268,535,833**
IV.	Expenses:			
	Employee benefits expense	19	273,727,124	255,411,258
	Finance costs	20	304,267	986,302
	Depreciation and amortization	8, 9	11,758,557	10,396,634
	Other expenses	21	100,166,831	86,302,104
	Total expenses		**385,956,779**	**353,096,298**
V.	Loss before exceptional items and tax		(77,347,714)	(84,560,465)
VI.	Exceptional items	22	68,000,000	-
VII.	Loss before tax		**(9,347,714)**	**(84,560,465)**
VIII.	Tax expense:			
	(a) Current tax		-	-
	(b) Deferred tax expense/(benefit)	23	23,607,312	(27,307,992)
Loss for the year			**(32,955,026)**	**(57,252,473)**
Earningsper equity share (EPES):		24		
- Basic and diluted earnings per equity share			(0.85)	(1.48)

The accompanying notes are an integral part of the financial statements.
This is the Statement of Profit and Loss referred to in our report of even date.

For **Walker, Chandiok & Co**
Chartered Accountants

per **Sanjay Kumar**
Partner

Place : Hyderabad
Date : 26 May 2012

For and on behalf of the Board of Directors of
Four Soft Limited

Palem Srikanth Reddy
Chairman & Managing Director

Srinivas Prasad Edara
Director

Biju S. Nair
Chief Financial Officer &
Chief Operating Officer

Seena Sankar
Company Secretary

Place : Hyderabad
Date : 26 May 2012

Cash Flow Statement for the year ended 31 March 2012

(All amounts in ₹ except otherwise stated)

	For the year ended 31 March	
	2012	**2011**
Cash flow from operating activities		
Lossbefore taxation	(9,347,714)	(84,560,465)
Non-cash adjustment to reconcile profit before tax to net cash flows:		
- Depreciation and amortization	11,758,557	10,396,634
- Employee stock compensation expenses	(1,445,721)	2,323,981
- Unrealized foreign exchange gain (net)	(12,081,447)	(5,727,512)
- Interest on fixed deposits	(23,158)	(24,264)
- Interest on loans to subsidiaries	(5,726,940)	(1,380,560)
- Dividends from non-trade current investments	(291,823)	(169,200)
- Employee benefits	(3,394,713)	5,271,735
- Provision for doubtful debts	689,992	-
- (Profit)/Loss on sale of fixed asset	603,189	667
Interest expense	-	375,670
Operating lossbefore working capital changes	**(19,259,778)**	**(73,493,314)**
Movements in working capital:		
- Increase in sundry debtors	(12,246,846)	(8,907,006)
- Decrease in short-term loans and advances	3,044,324	-
- (Increase)/decrease in long-term loans and advances	2,886,874	(150,540,079)
- Increase in other current assets	(69,726,781)	-
- Increase/(decrease) in liabilities	6,861,744	(190,536,291)
Cash usedinoperations	**(88,440,463)**	**(423,476,690)**
Income taxes paid	(13,832,078)	(11,677,231)
Net cash used inoperating activities(A)	**(102,272,541)**	**(435,153,921)**
Cash flow from investing activities		
- Purchase of fixed assets	(11,045,114)	(39,535,835)
- Sale of fixed assets	30,568	-
- Sale of investments in subsidiaries	-	495,060,556
- Receipt/Grant of loans and advances to related parties	116,651,257	-
- Purchase of short-term investments	(17,500,000)	-
- Interest received	5,733,506	1,571,893
- Dividends received from non-trade current investment	291,823	-
Net cashfrom investing activities (B)	**94,162,040**	**457,096,614**

Cash Flow Statement for the year ended 31 March 2012

(All amounts in ₹ except otherwise stated)

	For the year ended 31 March	
	2012	**2011**
Cash flow from financing activities		
Proceeds from issuance of share capital	-	-
Repayment of term loans	-	(30,294,700)
Interest paid	-	(375,670)
Net cash from financing activities (C)	-	**(30,670,370)**
Net decreasein cash and cash equivalent (A+B+C)	(8,110,501)	(8,727,677)
Cash and cash equivalents at the beginning of the year	11,988,259	20,715,936
Cash and cash equivalents at the end of the year	**3,877,758**	**11,988,259**
Components of cash and cash equivalents:		
Cash and bank balance (as per note14 of the financial statements)	4,225,994	12,336,495
Less: Deposits with banks with original maturity of more than three months	341,743	301,992
	3,884,251	**12,034,503**
Effect of unrealized exchange gain	(6,493)	(46,244)
Cash and cash equivalents considered for Cash Flows	**3,877,758**	**11,988,259**
Total cash and cash equivalents	**3,877,758**	**11,988,259**

This is the Cash Flow Statement referred to in our report of even date.

For **Walker, Chandiok & Co**
Chartered Accountants

per **Sanjay Kumar**
Partner

Place : Hyderabad
Date : 26 May 2012

For and on behalf of the Board of Directors of
Four Soft Limited

Palem Srikanth Reddy
Chairman & Managing Director

Srinivas Prasad Edara
Director

Biju S. Nair
Chief Financial Officer &
Chief Operating Officer

Seena Sankar
Company Secretary

Place : Hyderabad
Date : 26 May 2012

Notes to the financial statements

(All amounts in ₹ unless otherwise stated)

1. Company Overview

Four Soft Limited (the 'Company' or 'Four Soft') is one of the world's leading transportation and logistics software products company providing innovative and integrated enterprise solutions. Founded in 1999, Four Soft provides solutions to enterprises across the supply chain management market. Four Soft is head quartered in Hyderabad, India and has 8 development centers across the globe to cater to its large clientele.

2. Summary of significant accounting policies

(a) Basis of preparation of financial statements

The financial statements are prepared under historical cost convention in accordance with the generally accepted accounting principles in India ('Indian GAAP') and comply in all material respects with the mandatory Accounting Standards ('AS') prescribed in the Companies (Accounting Standard) Rules, 2006 ('the Rules'), with the relevant provisions of the Companies Act, 1956 ('the Act'), pronouncements of The Institute of Chartered Accountants of India ('ICAI') and other relevant provisions of the Act. The financial statements have been prepared under the historical cost convention on an accrual basis and the accounting policies applied by the Company are consistent with those used in the previous year.

Pursuant to the amendment to the Schedule VI to the Act, effective 1 April 2011 the Company has adopted revised Schedule VI for preparation and presentation of the financial statements and have reclassified previous year figures to conform to this year's presentation and classification. Except accounting for dividend on investment in subsidiaries, the adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of balance sheet.

(b) Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Examples of such estimates include completeness of contracts, cost estimate to complete contracts, provision for doubtful debts and loans and advances, diminution in the value of long-term investments, income taxes, future obligation under employee benefit plans, unbilled revenue and estimated useful lives of tangible and intangible assets. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

(c) Tangible assets

Tangible assets are stated at cost less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Finance costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready for its intended use.

Gain or losses arising from derecognition of an fixed asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

Assets under installation or under construction as at the balance sheet date are shown as 'capital work-in-progress'.

(d) Depreciation on tangible assets

Depreciation is provided using the written down value method as per the useful lives of the fixed assets estimated by management, or at the rates prescribed under Schedule XIV to the Act whichever is higher. The rates used by the Company are:

Assets	Rate (%)
Buildings	5.60
Computers	40.00
Office equipment	13.91
Furniture and fittings	18.10

Leasehold improvements are depreciated on written down value over the lease period of three to five years or useful lives as estimated by management, whichever is lower.

(e) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development cost, are not capitalized and expenditure is reflected in the statement of profit and loss in the year in which is expenditure is incurred.

Research and development cost

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognized as an intangible asset when the Company can demonstrate all the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- its intention to complete the asset
- its ability to use or sell the asset
- how the asset will generate future economic benefits
- the availability of adequate resources to complete the development and to use or sell the asset
- the ability to measure reliably the expenditure attributable to the intangible asset during development

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and the accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized on straight line basis over the period of expected future benefit from the related project i.e. the estimated useful life of 10 years. Amortization is recognized in the statement of profit and loss.

(f) Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

(g) Leases

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

(h) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

(i) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Sale of goods and services

Revenue from the sale of user licenses for software applications is recognized on delivery or subsequent milestone schedule as per the terms and contract with the customers. Revenue from time and material contracts is recognized as the related services are rendered. Revenue from annual maintenance services is recognized proportionately over the period in which services are rendered.

Revenue from services on fixed-priced and fixed time frame contracts is recognized on completion and delivery of services to the customers when the outcome of the contract cannot be assessed with reasonable certainty or on proportionate completion method when there is no significant uncertainty exists regarding the amount of consideration that will be derived from rendering the services.

Costs and earnings in excess of billings are classified as unbilled revenue while billings in excess of costs and earnings are classified as unearned revenue. Provision for estimated losses on contracts/engagements is made in the year in which such loss becomes probable and can be reasonably estimated.

Interest

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rates applicable.

Dividends

Income from mutual fund dividend is recognized when the Company's right to receive payment is established by the reporting date.

Rental income

Rental income from operating lease is recognized on a straight-line basis over the term of the lease.

(j) Foreign currency transactions

Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transactions.

Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

(k) Retirement and other employee benefits

Provident fund

A retirement benefit in the form of provident fund scheme is a defined contribution and the contribution is charged to the statement of profit and loss of the year when the contribution to the respective fund is due. There are no other obligations other than the contribution payable to the respective fund.

Gratuity

Gratuity liability is a defined benefit obligation and provided for on the basis of an actuarial valuation made on projected unit credit method at the end of each financial year. Actuarial gains and losses are recognized in full in the statement of profit and loss in the period in which they occur.

Compensated absences

Compensated absences are in the nature of short-term benefit and provided for based on estimates.

(l) Employee stock option scheme

Measurement and disclosure of the employee share-based payment plans is done in accordance with Securities Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the guidance note on 'Accounting for Employee Share-based Payments', issued by the Institute of Chartered Accountants of India (ICAI). The excess of market value of the stock on the date of grant over the exercise price of the option is recognized as deferred employee stock compensation and is charged to statement of profit and loss on straight-line method over the vesting period of the options. The unamortized portion of cost is shown under stock options outstanding.

(m) Income taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income tax Act, 1961. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognized only to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

At each balance sheet date the Company re-assesses unrecognized deferred tax assets and recognizes it to the extent it has become reasonably certain that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Minimum Alternative Tax (MAT) credit is recognized as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance note issued by the ICAI, the said asset is created by way of a credit to the statement profit and loss and shown as MAT credit entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income tax during the specified period.

(n) Earnings per equity share

Basic earnings per share are calculated by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. In computing the dilutive earnings per share, only potential equity shares that are dilutive and that either reduces the earnings per share or increases loss per share are included.

(o) Provisions and contingent liabilities

A provision is recognized when the Company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

(p) 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.

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

3. Share capital

	As at 31 March	
	2012	**2011**
Authorized shares		
56,077,600 (2011: 56,077,600) equity shares of ₹5 each	280,388,000	280,388,000
696,120 (2011: 696,120) 14% redeemable optionally convertible cumulative preference shares of ₹100 each	69,612,000	69,612,000
Issued, subscribed and fully paid-up equity shares		
38,959,744 (2011: 38,959,744) equity shares of ₹5 each	194,798,720	194,798,720
Less: Calls in arrears	3,000	3,000
Less: Amount recoverable from Four Soft Employee Welfare Trust	133,935	360,635
[243,987 equity shares (2011: 289,327), including 217,200 (2011: 217,200) bonus shares allotted to the trust]		
Total issued, subscribed and fully paid-up share capital	**194,661,785**	**194,435,085**

(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

	31 March 2012		31 March 2011	
	No. of Shares	**Amount**	**No. of Shares**	**Amount**
At the beginning of the period	38,959,744	194,798,720	38,959,744	194,798,720
Issued during the period	-	-	-	-
Outstanding at the end of the period	**38,959,744**	**194,798,720**	**38,959,744**	**194,798,720**

(b) Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹5 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian rupees. The dividend proposed by the Board of Directors, if any, is subject to the approval of the shareholders in the ensuing Annual General Meeting.

(c) Details of shareholders holding more than 5% shares in the Company:

	As at 31 March 2012		As at 31 March 2011	
	No. of Shares	**% of holding**	**No. of Shares**	**% of holding**
Palem Srikanth Reddy	8,704,158	22.34%	8,651,297	22.21%
Kotak Mahindra Trusteeship Services Limited	3,949,447	10.14%	3,949,447	10.14%

As per records of the Company's share transfer agent, and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

(d) Shares reserved for issue under options

(i) The Company has established Four Soft Limited Employees Welfare Trust (the 'Trust') to administer the ESOP Scheme and as at 31 March 2012 had issued 1,170,200 equity shares of ₹5 each. Pursuant to the ESOP Scheme the trust has granted equity shares at an exercise price of ₹5 each to the eligible employees, which are subject to progressive vesting (1 year after date of issue of options) over a period of three years from the date of the grant. As of 31 March 2012 the total shares held by the Trust is 243,987 (2011: 289,327). Mode of settlement of these stock options is equity.

(ii) During the year ended 31 March 2012 the stock compensation amortization expenses/ (income) is amounting to ₹(1,445,721) (2011: ₹2,323,981).

(iii) Changes in number of shares representing stock options outstanding as at the year ended on 31 March 2012 were as follows:

	As at 31 March 2012		As at 31 March 2011	
	No. of Shares	**Weighted average exercise price**	**No. of Shares**	**Weighted average exercise price**
Outstanding at the beginning of the year	1,454,676	9.71	2,118,512	18.79
Granted during the year	1,042,350	10.00	1,371,000	10.00
Forfeited during the year	1,229,755	19.88	1,970,838	19.76
Exercised during the year	45,340	5.00	63,998	5.00
Expired during the year	38,336	5.00	-	5.00
Outstanding at the end of the year	1,183,595	12.54	1,454,676	9.71
Exercisable at the end of the year	36,510	21.05	83,676	5.00

	For the year ended 31 March	
(iv) Proforma disclosures:	**2012**	**2011**
Net profit/(loss) (as reported)	(32,955,026)	(57,252,473)
Add: Employee stock compensation under intrinsic value method	(1,445,721)	2,323,981
Less: Employee stock compensation under fair value method	1,201,943	3,174,602
Proforma loss	**(35,602,690)**	**(58,103,094)**
Earnings/(loss) per share		
Basic and diluted		
- As reported	(0.85)	(1.48)
- Proforma	(0.92)	(1.50)

The fair value of options was estimated at the date of grant using the Black Scholes method with the following assumptions:

	For the year ended 31 March	
	2012	2011
Risk-free interest rate	8.25 to 8.50%	8.00 to 8.25%
Expected life	1 to 2 years	1 to 4 years
Expected volatility	0.51 to 0.57	0.47 to 0.57
Expected dividend yield	-	-

The expected volatility was determined based on historical volatility data; historical volatility includes early years of the Company's life; the Company expects the volatility of its share price to reduce as it matures.

The weighted average share price at the date of exercise for stock options exercised during the year was ₹14.19 (2011: ₹21.11). Options outstanding at 31 March 2012 had an exercise price of ₹10 to ₹21.05, and a weighted average remaining contractual life of 19.24 months (2011: 17.46 months).

4. Reserves and surplus

	As at 31 March	
	2012	2011
Securities premium reserve		
Balance as per last financial statements	648,108,341	646,869,980
Additions during the year	877,368	1,238,361
Closing balance	**648,985,709**	**648,108,341**
Capital reserve		
Balance as per last financial statements	14,280,000	14,280,000
Closing balance	**14,280,000**	**14,280,000**
Employee stock options outstanding		
Balance as per last financial statements	8,117,316	7,493,809
Add: Gross compensation for options granted during the year	-	6,059,820
Less: Forfeiture of options prior to vesting of options	4,630,619	4,197,952
Less: Transferred to securities premium reserve on exercise of stock options	877,368	1,238,361
	2,609,329	**8,117,316**
Less: Deferred employee stock compensation	252,283	3,437,180
Closing balance	**2,357,046**	**4,680,136**
General reserves		
Balance as per last financial statements	2,598,214	2,598,214
Closing balance	**2,598,214**	**2,598,214**
Surplus in statement of profit and loss		
Balance as per last financial statements	96,379,272	153,631,745
Add: Net loss during the year	(32,955,026)	(57,252,473)
Closing balance	**63,424,246**	**96,379,272**
Total reserves and surplus	**731,645,215**	**766,045,963**

5. Provisions

	Non-Current		Current	
	As at 31 March		As at 31 March	
	2012	2011	2012	2011
Provision for employee benefits				
- Gratuity	5,063,635	5,451,587	-	-
- Compensated absences	-	-	1,178,318	4,185,079
	5,063,635	**5,451,587**	**1,178,318**	**4,185,079**

6. Trade payables

There are no micro and small enterprises, as defined under the provisions of Micro, Small and Medium Enterprises Development Act, 2006, to whom the Company owes dues as at the reporting date. The micro and small enterprises have been identified by management on the basis of information available with the Company and have been relied upon by the auditors.

7. Other current liabilities

	As at 31 March	
	2012	2011
Income received in advance	25,573,787	24,145,507
Unpaid dividends	268,182	501,786
Refundable share application money	-	204,959
Dues to a director	2,382,522	2,272,914
Dues to subsidiaries	8,354,232	4,812,603
Other payables:		
- Statutory dues	4,113,690	4,979,236
- Rent deposit	362,508	-
	41,054,921	**36,917,005**

Notes to the financial statements

(All amounts in ₹ except otherwise stated)

8. Tangible assets

	Buildings	Computers	Office equipment	Furniture and fittings	Leasehold improvements	Total
Gross block						
As at 1 April 2010	30,594,644	50,076,469	24,924,915	16,421,915	3,652,713	125,670,656
Additions during the year	-	4,384,866	6,961,754	2,593,720	-	13,940,340
Disposals during the year	-	(101,200)	-	(1,568,984)	-	(1,670,184)
As at 31 March 2011	**30,594,644**	**54,360,135**	**31,886,669**	**17,446,651**	**3,652,713**	**137,940,812**
Additions during the year	-	304,583	346,946	-	-	651,529
Disposals during the year	-	-	(1,005,887)	(2,908,904)	-	(3,914,791)
As at 31 March 2012	**30,594,644**	**54,664,718**	**31,227,728**	**14,537,747**	**3,652,713**	**134,677,550**
Accumulated depreciation						
Up to 1 April 2010	8,578,075	42,942,673	11,572,185	12,049,229	3,458,324	78,600,486
Charge for the year *	1,232,928	3,395,390	1,950,097	1,156,123	53,868	7,788,406
On disposals	-	(100,533)	-	(1,203,171)	-	(1,303,704)
Up to 31 March 2011	**9,811,003**	**46,237,530**	**13,522,282**	**12,002,181**	**3,512,192**	**85,085,188**
Charge for the year *	1,163,884	3,262,693	2,588,052	985,449	42,541	8,042,619
Disposals	-	-	(372,130)	(2,908,904)	-	(3,281,034)
Up to 31 March 2012	**10,974,887**	**49,500,223**	**15,738,204**	**10,078,726**	**3,554,733**	**89,846,773**
Net block						
As at 31 March 2012	**19,619,757**	**5,164,495**	**15,489,524**	**4,459,021**	**97,980**	**44,830,777**
As at 31 March 2011	20,783,641	8,122,605	18,364,387	5,444,470	140,521	52,855,624

* During the year depreciation amounting to ₹271,844 (2011: ₹749,861) was capitalized to Intangible assets.

9. Intangible assets

	Software	Internally developed software	Total
Gross block			
As at 1 April 2010	37,534,575	-	37,534,575
Additions during the year	626,558	-	626,558
As at 31 March 2011	**38,161,133**	-	**38,161,133**
Additions during the year	869,009	35,087,435	35,956,444
As at 31 March 2012	**39,030,142**	**35,087,435**	**74,117,577**
Accumulated amortization			
Up to 1 April 2010	29,497,104	-	29,497,104
Charge for the year	3,358,781	-	3,358,781
Up to 31 March 2011	**32,855,885**	**-**	**32,855,885**
Charge for the year	2,233,346	1,754,372	3,987,718
Up to 31 March 2012	**35,089,231**	**1,754,372**	**36,843,603**
Net block			
As at 31 March 2012	**3,940,911**	**33,333,063**	**37,273,974**
As at 31 March 2011	5,305,248	-	5,305,248

10. Non-current investments

	As at 31 March	
	2012	**2011**
Trade investments (Unquoted)		
Investment in subsidiaries		
31 (2011: 31) representing 100% (2011: 100%) equity shares of US Dollar 0.01 each, fully paid-up, in Four Soft USA, Inc., USA	727,500	727,500
66,245 (2011: 66,245) representing 100% (2011: 100%) equity shares of Euro 1 each, fully paid-up, in Four Soft B.V., Netherlands	618,133,185	618,133,185
930,000 (2011: 930,000) representing 100% (2011: 100%) equity shares of Singapore Dollar 1 each, fully paid-up,in Four Soft Singapore Pte. Ltd., Singapore	38,435,758	38,435,758
70,000 (2011: 70,000) representing 100% (2011: 100%) Class A preference shares of Singapore Dollar 1 each, fully paid-up, in Four Soft Singapore Pte. Ltd., Singapore	3,988,362	3,988,362
10,000,000 (2011: 10,000,000) representing 100% (2011: 100%) equity shares of Malaysian Ringgit 1 each, fully paid-up, in Four Soft Sdn. Bhd., Malaysia	2,625	2,625
Aggregate amount of unquoted investments	**661,287,430**	**661,287,430**

11. Long-term loans and advances

	As at 31 March	
	2012	**2011**
(Unsecured, considered good)		
Capital advances	794,224	794,224
Security deposits	9,593,010	12,479,884
	10,387,234	**13,274,108**

12. Current Investments

	As at 31 March	
	2012	**2011**
Non-trade investments		
Investments in mutual funds (quoted)		
174,881.081 units of Birla Sun Life Savings Fund of ₹100.0680 each	17,500,000	-
Aggregate amount of quoted investments		
(Market value ₹ 17,500,000)	**17,500,000**	**-**

13. Trade receivables

		As at 31 March	
		2012	**2011**
(Unsecured)			
Outstanding for a period exceeding six months from the date they are due for payment			
- Considered good		30,571,837	28,134,596
- Considered doubtful		1,174,848	484,855
		31,746,685	**28,619,451**
Less: Provision for doubtful debts		1,174,848	484,855
	(A)	**30,571,837**	**28,134,596**
Other receivables (considered good)	**(B)**	76,931,926	62,481,311
Total trade receivables, net	**(A+B)**	**107,503,763**	**90,615,907**

14. Cash and bank balances

	As at 31 March	
	2012	**2011**
Cash and cash equivalents		
Balances with banks:		
- On current accounts	3,588,636	11,324,804
- Unclaimed dividend accounts	268,182	501,508
- Unpaid IPO refund account	-	204,459
Cash on hand	27,433	3,732
Total cash and cash equivalents	**3,884,251**	**12,034,503**
Other bank balances:		
Deposits with original maturity for more than 12 months	341,743	301,992
Total cash and bank balances	**4,225,994**	**12,336,495**

15. Short-term loans and advances

	As at 31 March	
	2012	**2011**
(Unsecured, considered good)		
Loans and advances to related parties	42,013,888	158,419,168
Other loans and advances		
- Prepaid expenses	6,071,688	6,112,059
- Advance tax (net of provision)	23,219,708	9,387,630
- Service tax receivable	14,071,265	10,414,821
- Value added tax receivable	1,311,160	1,004,510
- Others	559,059	1,021,637
Short-term loans and advances, net	**87,246,768**	**186,359,825**

16. Other current assets

	As at 31 March	
	2012	**2011**
(Unsecured, considered good)		
Unbilled revenue	3,259,965	1,500,000
Accrued interest on fixed deposits	29,776	46,368
Other receivables from subsidiaries	68,000,000	-
	71,289,741	**1,546,368**

17. Revenue from operations

	For the year ended 31 March	
	2012	**2011**
Sale of licenses	3,989,968	22,342,201
Sale of services	264,506,944	222,561,210
Annual maintenance services	24,367,352	20,166,733
	292,864,264	**265,070,144**

18. Other income

	For the year ended 31 March	
	2012	**2011**
Interest on fixed deposit	23,158	24,264
Interest on loan to subsidiaries	5,726,940	1,380,560
Foreign exchange gain, net	4,200,181	-
Bad debts/advances recovered	-	146,846
Dividend income from non-trade investments	291,823	169,200
Reversal of provision	3,398,256	-
Miscellaneous income	2,104,443	1,744,819
	15,744,801	**3,465,689**

19. Employee benefits expense

	For the year ended 31 March	
	2012	**2011**
Salaries, wages and bonus	255,215,964	232,899,259
Contribution to provident and other funds	12,953,506	11,273,805
Gratuity	859,607	3,125,828
Compensated absences	-	2,145,907
Employee stock compensation expenses	-	2,323,981
Staff welfare expenses	4,698,047	3,642,478
	273,727,124	**255,411,258**

a. Defined contribution plan

During year ended 31 March 2012, the Company contributed ₹12,467,987(2011: ₹11,273,805) to provident fund and ₹485,519 (2011: ₹Nil) towards employee state insurance fund.

b. Defined benefit plan

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy. The following tables summarize the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet for the gratuity:

	For the year ended 31 March	
	2012	**2011**
A. Net gratuity expense recognized in the statement of profit and loss		
Current service cost	1,196,901	3,120,051
Interest cost on benefit obligation	449,756	351,030
Expected return on plan assets	(109,612)	(166,727)
Net actuarial gain recognized in the year	(677,438)	(178,526)
Net benefit (income) / expense	**859,607**	**3,125,828**
B. Details of provision recognized in the balance sheet		
Defined benefit obligation	6,321,085	6,780,212
Fair value of plan assets	(1,257,450)	(1,328,625)
Net provision for gratuity	**5,063,635**	**5,451,587**
Actual return on plan assets	**102,511**	**169,727**
C. Changes in the present value of the defined benefit obligation are as follows:		
Opening defined benefit obligation	6,780,212	4,387,876
Interest cost	449,756	351,030
Current service cost	1,196,901	3,120,051
Past service cost (vested benefit)	-	21,971
Benefits paid	(1,421,245)	(925,190)
Actuarial gains on obligation	(684,539)	(175,526)
Closing defined benefit obligation	**6,321,085**	**6,780,212**

	For the year ended 31 March	
	2012	**2011**
D. Changes in the fair value of plan assets are as follows:		
Opening fair value of plan assets	1,328,625	2,084,088
Expected return	109,612	166,727
Contributions	1,247,559	-
Benefits paid	(1,421,245)	(925,190)
Actuarial gains / (losses) on plan assets	(7,101)	3,000
Closing fair value of plan assets	**1,257,450**	**1,328,625**
E. The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:		
Investments with insurer	100%	100%
F. The principal assumptions used in determining gratuity obligations for the Company's plans are shown below:		
Discount rate	8.50% p.a.	8.25% p.a.
Expected rate of return on assets	8.50% p.a.	8.25% p.a.
Future salary rise	5% p.a.	5% p.a.
Attrition rate:		
- For 0-4 years	15% p.a.	15% p.a.
- 5 years and above	2% p.a.	2% p.a.

Expected employer's contribution next year ₹2,745,217(2011: ₹2,500,000). The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors.

G. Amounts for the current and previous four periods are as follows:

	For the year ended 31 March				
	2008	**2009**	**2010**	**2011**	**2012**
Defined benefit obligation	7,550,118	7,494,424	4,387,876	6,780,212	6,321,102
Planned assets	3,216,719	2,041,359	2,084,088	1,328,625	1,257,450
Surplus/(deficit)	(4,333,399)	(5,453,065)	(2,303,788)	(5,451,587)	(5,063,619)
Experienced adjustment to plan liabilities	(3,754,454)	(2,074,730)	(734,723)	(318,670)	(643,300)
Experienced adjustment to plan assets	55,322	(84,707)	14,242	3,000	(7,101)

20. Finance costs

	For the year ended 31 March	
	2012	**2011**
Interest expense	-	375,670
Bank charges	304,267	610,632
	304,267	**986,302**

21. Other expenses

	For the year ended 31 March	
	2012	2011
Rent	18,762,594	14,718,390
Rates and taxes	1,096,151	639,443
Office maintenance	22,254,295	13,127,370
Implementation expenses	12,562,738	8,889,598
Advertisement and recruitment	1,212,362	324,204
Business promotion	2,211,401	3,629,886
Communication	3,685,642	3,480,163
Postage and courier	890,673	1,676,481
Insurance	2,348,578	3,684,508
Power and fuel	7,790,717	11,391,709
Travelling and conveyance	15,956,212	15,252,587
Legal and professional expenses	8,352,915	7,165,228
Provision for doubtful debts	689,992	-
Exchange difference (net)	-	469,430
Donations	128,986	229,138
Loss on sale of fixed asset	603,189	-
Payments to auditor	1,620,386	1,623,969
	100,166,831	**86,302,104**

Payments to auditor

	For the year ended 31 March	
	2012	2011
As auditor:		
- Audit fees	1,560,000	1,618,098
- Reimbursement of expenses	60,386	5,871
	1,620,386	**1,623,969**

22. Exceptional item

During the year the Company has entered into an agreement with Four Soft Nordic A/s, Denmark for sale of intellectual property rights for the e-customs product, for a consideration of ₹68,000,000 payable in accordance with the terms. The sale consideration has been mutually agreed between parties based on the valuation report obtained from an independent valuer.

23. Income taxes

Deferred tax comprises of:

	For the year ended 31 March	
	2012	2011
Deferred tax liability		
Difference in depreciation in block of assets	-	4,186,508
Total deferred tax liability	**-**	**4,186,508**
Deferred tax assets		
Business loss	-	24,509,893
Provision for gratuity	-	1,768,767
Provision for compensated absences	-	1,357,849
Provision for doubtful debts	-	157,311
Total deferred tax assets	**-**	**27,793,820**
Net deferred tax asset/(liability)	**-**	**23,607,312**

24. Earnings per equity share (EPES)

	For the year ended 31 March	
	2012	**2011**
Net loss as per Statement of Profit and Loss	(32,955,026)	(57,252,473)
Weighted average number of equity shares considered in computation of basic EPS	38,755,276	38,704,347
Effect of dilutive equity shares	-	140,260
Weighted average number of equity shares considered in computation of diluted EPS	**38,755,276**	**38,844,607**

The loss per equity share, based on diluted weighted average number of shares is anti-dilutive. Accordingly, the basic and dilutive earnings per equity share is the same.

25. Contingent liabilities

	As at 31 March	
	2012	**2011**
(a) Claims against the Company not acknowledged as debt		
- Income tax	52,541,539	26,454,812
- Service tax	3,563,314	3,563,314
(b) Guarantees	295,633,092	305,422,230

26. Leases

The company has entered into operating lease agreements for its development centres for the period 1-3 years. The maximum obligations on non-cancellable operating leases payable as per the rentals stated in the respective agreements are as follows :

	As at 31 March	
	2012	**2011**
Not later than one year	5,873,439	8,605,632
Later than one year but not later than five years	-	5,019,952
	5,873,439	**13,625,584**

There are no restrictions imposed by lease arrangements. There are no subleases.

27. Segment information

In accordance with AS 17 'Segment Reporting' as notified by the Rules, segment information has been given in the consolidated financial statements of the company and therefore no separate disclosure on segment information is given in these financial statements.

28. Related party disclosures

Names of the related party	Country	Nature of relationship
Four Soft B.V.	Netherlands	Wholly owned subsidiary (WOS)
Four Soft UK Ltd.	United Kingdom	WOS of Four Soft BV
Four Soft Netherlands B.V.	Netherlands	WOS of Four Soft BV
Four Soft Singapore Pte. Ltd.	Singapore	WOS
Four Soft Japan KK	Japan	WOS of Four Soft Singapore Pte. Ltd
Four Soft Australia Pty Ltd.	Australia	WOS of Four Soft Singapore Pte. Ltd
Four Soft Nordic A/S	Denmark	WOS of Four Soft BV
Four Soft Malaysia Sdn. Bhd.	Malaysia	WOS
Four Soft USA, Inc.	USA	WOS of Four Soft BV
Four Soft Employee Welfare Trust	India	Controlling interest
Mr. Palem Srikanth Reddy	India	Key management personnel (KMP)
Mr. Biju S. Nair	India	KMP
Mr. Raj Shekhar Roy	India	KMP
Sonata Information Technology Limited	India	Enterprises significantly influenced by KMP or their relatives.
Palpremium Online Media Pvt Ltd	India	Enterprises significantly influenced by KMP or their relatives.
Palred Media & Entertainment Pvt Ltd	India	Enterprises significantly influenced by KMP or their relatives.

The details of the related party transactions entered into by the company during the year ended 31 March 2012 are as follows:

	For the year ended 31 March	
	2012	**2011**
A. Subsidiaries		
Four Soft B.V.		
(a) Loans granted	-	141,125,200
(b) Interest on loan granted	4,608,207	527,041
(c) Loan repayment received	129,457,691	-
(d) Sale of investments	-	495,060,556
Four Soft USA, Inc.		
(a) Reimbursable expenses (net)	90,874	1,049,672
(b) Sales and services	152,206,119	124,130,591
Four Soft UK Ltd.		
(a) Reimbursable expenses (net)	(45,101)	(77,508)
(b) Sales and services	5,485,287	6,370,400
Four Soft NetherlandsB.V.		
(a) Reimbursable expenses (net)	(234,068)	(103,451)
(b) Sales and services	40,866,464	42,292,421

	For the year ended 31 March	
	2012	2011
Four Soft Singapore Pte. Ltd.		
(a) Sales and services	15,491,964	20,950,547
(b) Interest on loan granted	1,118,733	978,106
(c) Repayment of interest on loan granted	-	807,882
Four Soft Japan KK		
(a) Implementation expenses	12,562,738	8,889,598
(b) Reimbursable expenses, net	(11,206)	-
Four Soft Nordic A/s		
(a) Investment into equity	-	(495,060,556)
(b) Reimbursable expenses (net)	(39,360)	(165,282)
(c) Sales and services	18,438,249	14,768,043
(d) Sale of software license	68,000,000	-
B. Key management personnel		
Remuneration		
Mr.Palem Srikanth Reddy	1,800,000	1,800,000
Mr.Biju S Nair	1,880,004	2,641,424
Mr.Raj Shekhar Roy*	2,390,004	3,819,037
C. Enterprises significantly influenced by key management personnel or their relatives		
Sonata Information Technology Limited		
Purchase of third party license	2,435,500	997,617
D. PalPremium Online Media Private Limited		
Professional services	402,898	
E. Balance outstanding		
Trade receivables		
Four Soft NetherlandsB.V.	24,930,346	21,530,237
Four Soft UK Ltd.	29,946	-
Four Soft USA, Inc.	37,492,504	11,969,584
Four Soft Singapore Pte. Ltd.	14,071,011	22,926,168
Four Soft Nordic A/s	7,344,422	4,859,880
Four Soft Japan KK	18,247,583	15,906,209
Loans and advances		
Four Soft B.V.	23,630,237	143,261,313
Four Soft NetherlandsB.V.	432,652	377,137
Four Soft UK Ltd	-	135,058
Four Soft USA, Inc.	1,290,237	1,041,743
Four Soft Singapore Pte. Ltd.	16,660,762	13,603,916
Current liabilities		
Four Soft UK Ltd.	301,689	-
Four Soft USA, Inc.	6,896,389	4,250,024
Four Soft Singapore Pte. Ltd.	567,116	492,791
Four Soft Japan KK	22,124,683	39,090,714
Four Soft Netherlands B.V.	244,663	-
Four Soft Malaysia Sdn. Bhd.	607,562	536,386
Four Soft Nordic A/s	42,262	-
Four Soft Australia	231,502	-
Mr.Palem Srikanth Reddy	2,382,522	2,272,914
Four Soft Employee Welfare Trust	37,102	(17,929)
Other receivables		
Four Soft Nordic A/s	68,000,000	-

The Company has an outstanding guarantee given on behalf of Four Soft B.V. for its overdraft and term loan facility of ₹295,633,092 as at 31 March 2012 (2011: ₹305,422,230).

*During the year the company has allotted 20,000 shares to Mr. Raj Shekhar Roy at an exercise price of ₹5 each.

29. International transactions with related parties

The Company is required to use certain specified methods in computing arm's length price in respect of international transactions with its associated enterprises and is also required to maintain prescribed information and documents in connection with such transactions. The appropriate methods to be adopted depends on the nature of transactions/class of transactions, class of associated persons, functions performed and other factors as prescribed under Rule 10B of the Income Tax Rules, 1962. The Company is in the process of updating the Transfer Pricing documentation for the year ended 31 March 2012 following detailed Transfer Pricing update conducted for the financial year ended 31 March 2011. In the opinion of management, the same would not have any impact on these financial statements. Accordingly, these financial statements do not include the effect of the transfer pricing implications, if any.

30. Unhedged foreign currency exposure

	As at 31 March	
	2012	**2011**
Trade and unbilled receivables	171,997,913	83,867,379
Loans and advances to subsidiaries	42,013,888	158,419,168
Due to subsidiaries	31,015,866	44,369,915

31. Earnings in foreign currency (on accrual basis)

	For the year ended 31 March	
	2012	**2011**
Sale of licenses	-	15,241,030
Annual maintenance services	20,301,069	19,993,138
Sale of software license	68,000,000	-
Sale of services	258,584,559	216,334,012
Sale of third party licenses (gross)	1,665,319	-
	348,550,947	**251,568,180**

32. Expenditure in foreign currency (on accrual basis)

	For the year ended 31 March	
	2012	**2011**
Travelling	5,668,246	3,767,014
Implementation expenses	12,562,738	8,889,598
Third party software	1,904,701	1,050,207
	20,135,685	**13,706,819**

33. Value of imports calculated on CIF basis

During the year ended 31 March 2012 the Company has imported capital goods amounting to ₹396,780 (2011: ₹4,022,577).

34. Research and development

During the year ended 31 March 2012 the Company has incurred expenses amounting to ₹76,581,382(2011: ₹79,174,357) towards research and development included under various heads of expenses.

35. Previous year comparatives

The previous year comparatives have been regrouped/rearranged to comply with the presentation requirement of revised Schedule VI as stated in the note 2(a).

For and on behalf of the Board of Directors of
Four Soft Limited

Palem Srikanth Reddy
Chairman & Managing Director

Srinivas Prasad Edara
Director

Biju S. Nair
Chief Financial Officer &
Chief Operating Officer

Seena Sankar
Company Secretary

Place : Hyderabad
Date : 26 May 2012

Balance Sheet Abstract and Company's general business profile
Registration details
Registration No. : 33131
State Code : 01

(All amounts in ₹)

Balance Sheet date	**March 31, 2012**
Capital raised during the year	
Public Issue	-
Rights Issue	-
Bonus Issue	-
Sweat Equity shares to Directors	-
Shares allotted to Four Soft Ltd. Employee Welfare Trust	-
Position of Mobilisation and Deployment of Funds	
Total Liabilities	**926,307,000**
Total Assets	**926,307,000**
Sources of Funds	
Paid-up Capital	194,661,785
Reserves and Surplus	731,645,215
Secured Loans	-
Unsecured Loans	-
Total	**926,307,000**
Application of Funds	
Fixed assets	82,104,751
Capital Work-in-Progress	-
Investments	678,787,430
Net assets	
(1) Current assets, Loans and advances	
Trade receivables	107,503,763
Cash and bank balances	4,225,994
Loans and advances	97,634,002
Other Current assets	71,289,741
(2) Less: Current liabilities and provision	
Liabilities	108,996,727
Provision	6,241,953
Total of Net assets	**165,414,819**
Total	**926,307,000**
Performance of Company	
Income from software products and related services	292,864,264
Other Income	15,744,801
Total Income	308,609,065
Total Expenditure	385,956,779
Profit / (Loss) before exceptional items and tax	(77,347,714)
Exceptional items	68,000,000
Profit / (Loss) before tax	(9,347,714)
Tax expense	23,607,312
Profit / (Loss) after tax	(32,955,026)
Basic and diluted earnings per share (basic) (₹)	(0.85)
Dividend per par value (₹ 5/-) (%)	-
Generic name of principal products / services of the company	
Item Code No. (ITC Code)	85 24 90 09
Product Description	Computer Software

Disclosure under General Circular No. 2/2011 (No.51/12/2007-CL-III) dated 8th February, 2011 issued by Ministry of Corporate Affairs, Government of India.

(All amounts in ₹)

Sl. No	Subsidiary Company	Reporting currency	Exchange rate	Capital	Reserves	Total assets	Total liabilities	Investment other than Subsidiary	Turnover	PBT	Provision for tax	PAT	Country
1	Four Soft BV	Euro	69.47	4,602,212	1,369,646,260	2,185,997,152	2,185,997,152	-	320,448,279	281,447,459	(36,663,658)	318,111,117	Netherlands
2	Four Soft Netherlands BV	Euro	69.47	18,757,602	(203,454,543)	137,453,307	137,453,307	-	225,186,753	15,451,379	-	15,451,379	Netherlands
3	Four Soft UK Ltd	GBP	83.27	167	79,402,023	163,076,498	163,076,498	-	190,545,658	20,821,697	6,025,222	14,796,475	United Kingdom
4	Four Soft USA Inc	USD	52.08	68	65,019,941	144,757,774	144,757,774	-	267,487,272	9,259,608	3,617,535	5,642,073	United States
5	Four Soft Singapore Pte Ltd	SGD	41.44	41,435,200	(44,649,740)	94,782,839	94,782,839	-	55,908,603	32,980,013	1,052,199	31,927,814	Singapore
6	Four Soft Malaysia Sdn Bhd	MYR	17.01	170,114,000	(174,532,002)	43,024	43,024	-	-	(1,729,023)	-	(1,729,023)	Malaysia
7	Four Soft Japan KK	Yen	0.63	1,899,300	(8,438,573)	20,481,491	20,481,491	-	14,237,748	676,851	43,085	633,766	Japan
8	Four Soft Nordic A/s	DKK	9.34	9,339,700	361,359,334	589,940,260	589,940,260	-	500,231,360	150,485,856	39,563,302	110,922,554	Denmark
9	Four Soft Australia Pty Ltd	AUD	54.09	27,586	10,681,614	32,774,860	32,774,860	-	47,482,755	10,115,003	3,440,292	6,674,711	Australia

Notes :

1. None of the subsidiaries have proposed dividend to Four Soft Limited during the year.

For and on behalf of the board of Directors of the

Four Soft Limited

Sd/-
Palem Srikanth Reddy
Chairman & Managing Director

Sd/-
Srinivas Prasad Edara
Director

Place: Hyderabad
Date: 26 May 2012

FOUR SOFT LIMITED

Registered Office: 5Q1 A3, 5th Floor, Cyber Towers, Hitech City, Madhapur, Hyderabad - 500 081 India.

ATTENDANCE SLIP

13th Annual General Meeting 29 September 2012

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL

Name & Address of the Shareholder	Registered Folio No.	Client ID & DP ID No.	No. of Share(s) held

I certify that I am a member/proxy for a member of the Company. I hereby record my presence at the 13th Annual General Meeting of the Company, at The Chip Auditorium, Cyber Towers, HITEC City, Madhapur, Hyderabad, A.P at 10.00 A.M on Saturday, the 29th September 2012.

SIGNATURE OF THE MEMBER OR THE PROXY ATTENDING THE MEETING

If Member, please sign here	If Proxy, please sign here

Note: 1. Member/Proxy must bring the Attendance Slip to the meeting and hand it over, duly signed at the registration counter.
2. Members/Proxies are requested to bring their copy of the AGM Notice at the meeting as the same will not be circulated at the meeting.

FOUR SOFT LIMITED

Registered Office: 5Q1 A3, 5th Floor, Cyber Towers, Hitech City, Madhapur, Hyderabad - 500 081 India.

PROXY SLIP

13th Annual General Meeting 29 September 2012

Folio No.. Client ID No. & DP ID No ....
I/ We...of.. being a Member / Members of FOUR SOFT LIMITED, hereby appoint ....
of... or failing him/her ....
of ....or failing him / her ....
....of .... as my / our proxy to vote for me/us on my/our behalf at the 13th Annual General Meeting of the Company, at The Chip auditorium, Cyber Towers, HITEC City, Madhapur, Hyderabad, A.P at 10.00 A.M on Saturday, the 28th September 2012 and at every adjournment thereof.

Signed this………………………day of……………………….. 2012.

Affix
Re. 1.00
Revenue Stamp

Note: 1. Proxy need not be a member.
2. Proxy Form, complete in all respects, should reach the Registered Office of the Company not later than 48 hours before the time for holding of the meeting.

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Internet Solutions for Logistics

5Q1, A2-A3,
Cyber Towers,
HITEC City Madhapur,
Hyderabad - 500 081, India.
Web : www.four-soft.com